SHARED VALUES

COMMERCIAL CREDIT

COMMERCIAL CREDIT AND FINANCE PLC

ANNUAL REPORT 2022/2023

SHARED VALUES

The year posed significant challenges to the Sri Lankan economy, with the country facing its most difficult economic conditions since gaining independence. We as a company reiterate the fact that principles define us and will guide us through these headwinds.

As a purpose driven entity, we train our family to cultivate a win-win attitude that inspires synergy and teamwork with love and caring instilled within a culture of continuous learning and development that enhances the essence of integrity and trust.

Our unrelenting commitment towards materializing our purpose has created a mutually beneficial partnership with our stakeholders.

PURPOSE

To build leaders who uplift the lives of people by simple acts of love.

VISION

To be the most liberated Company admired for its people, partnership and performance.

MISSION

To be a dynamic Finance Company which develops and nurtures leaders at every level of the organization to serve society with passion.

https://www.cclk.lk/about-us/overview/en

CONTENT

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https://www.cclk.lk/about-us/investor-relations/en

SHARED VALUES

LOVING AND CARING

Commercial Credit defines love as the silent sacrifices made or the extra miles travelled to uplift others' lives. Those who seek to love feel happy and satisfied. Love energizes everyone and benefits of unconditional love and appreciation are immeasurable. Sincere appreciation is one of the deepest needs of human existence and making someone feel good, releases reservoirs of positive energy. At Commercial Credit, love plays an immeasurable role in the day-to-day life of our team members. Those who embrace love, love themselves, love others and also love life.

To demonstrate a simple act of loving and caring, we could go out of our way to help out a team member or a customer. This reinforces the feeling of love in the recipient who in turn would more often than not reciprocate the feeling with a caring gesture of his or her own to another. This creates a ripple effect of loving and caring and is one of the key elements of our corporate culture.

INTEGRITY AND TRUST

We believe that trust is the key to every relationship. To have a culture full of trust every one of us should be trustworthy people who act with integrity. Integrity means that our lives are integrated around principles and that our security comes from within, not from outside. Being a person of integrity is of utmost importance to all team members at Commercial Credit. A trustworthy individual has the gift of lifting others and making them do good deeds, sometimes even impossible ones. Therefore, we place great emphasis on creating a culture of integrity where an individual does the right thing even when no one is watching.

LEARNING AND DEVELOPMENT

Learning and development at Commercial Credit is characterized as the process of renewing and enhancing the physical, spiritual, mental and emotional dimensions of our lives, which would facilitate personal growth. Learning and development is the single most powerful investment that one can make and is a continuous process in the achievement of effective results. By encouraging an environment which strongly believes in learning and development, Commercial Credit strives to do the best in every single activity that it engages in.

THINK WIN-WIN

Win-Win is one paradigm of human interaction and it arises from a character of integrity, maturity and the abundance mentality. Life is a co-operative arena where human interactions are based on mutual benefits and mutual respect. Additionally, a culture of Think Win-Win is embodied in agreements that effectively clarify and manage expectations as well as accomplishments.

Commercial Credit always strive to align its processes and supportive systems to encourage this win - win mind set. We believe the intense focus on winning at all costs does not bring greater good to the individual, the Company, the society or the country. Our focus is always on creating a win-win situation, one where all parties concerned are pleased with the outcome and where no party is left feeling short-changed. It is an attitude that has been readily embraced by our team members and one that has created countless satisfied customers.

SYNERGY AND TEAMWORK

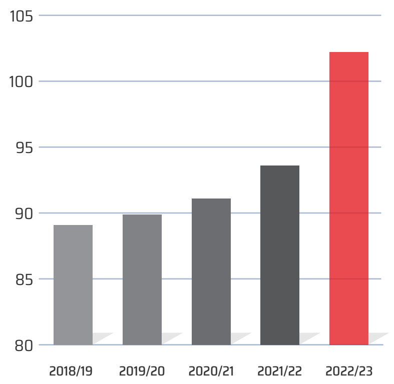
Commercial Credit believes that Synergy creates better alternatives by valuing the mental, emotional and psychological differences between people; recognizing that strength lies not in similarities but in differences. Commercial Credit team members always try to combine individual strengths with a shared commitment to perform towards common goals aligning to the Company purpose.

FINANCIAL HIGHLIGHTS

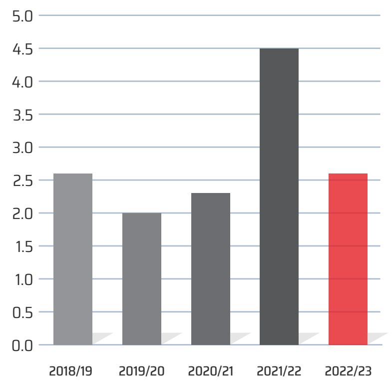
Year ended 31 March	2022/23 Rs.'000'	2021/22 Rs.'000'	Per cent Change
FINANCIAL PERFORMANCE			
Gross Income	28,949,269	21,820,030	32.7%
Net Interest Income	11,106,651	11,948,942	-7.0%
Profit Before Taxation	3,859,879	6,391,345	-39.6%
Profit After Taxation	2,599,629	4,520,313	-42.5%
FINANCIAL POSITION			
Leases, Hire Purchases, Loans and Advances	76,170,663	73,993,334	2.9%
Total Assets	102,154,440	93,630,228	9.1%
Total Deposit Base	59,243,651	48,077,988	23.2%
Borrowings	17,555,544	20,525,268	-14.5%
Shareholders' Funds	20,359,015	19,193,329	6.1%
Liquid Assets	12,836,935	8,098,312	58.5%
KEY INDICATORS PER ORDINARY SHARE			
Earnings per Share(Rs.)	8.17	14.21	
Net Assets per Share (Rs.)	64.01	60.34	
Year end Market Price per Share	26.00	25.20	
KEY PERFORMANCE INDICATORS			
Return on Average Assets (%)	2.66	4.89	
Equity / Assets (%)	19.93	20.50	
Gross Non Performing Accommodations (%)	11.07	4.67	
Net Non Performing Accommodations (%)	1.17	(4.09)	
Return on Average Shareholders' Funds (%)	13.15	26.14	
STATUTORY RATIOS			
Capital Funds to Deposits (%)	34.36	39.92	
Core Capital (Tier 1 Capital)	17,694,262	17,152,793	
Core Capital (Tier 11 Capital)	18,874,733	18,720,043	
Core Capital Ratio (%)	17.49	17.61	
Total Risk Weighted Capital Ratio (%)	18.66	19.22	
MEMORANDUM INFORMATION			
Number of Employees	2,816	2,883	
Number of Branches	133	129	
External Credit Rating	BBB (Stable)	BBB (Stable)	

Business Performances

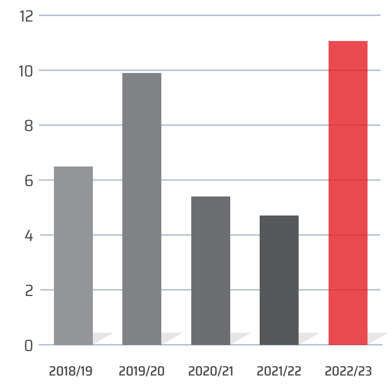
Total Assets Rs.Bn



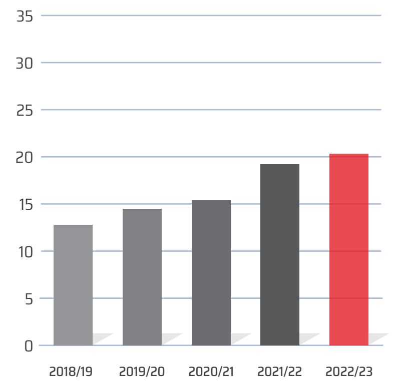
Profit after Tax Rs.Bn



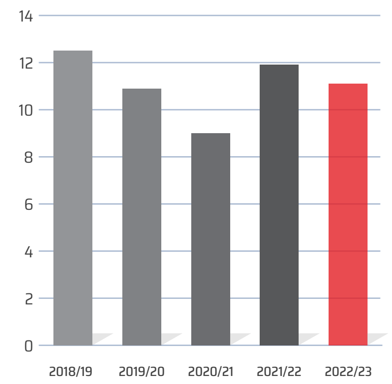
Gross Non Performing Accomodation %



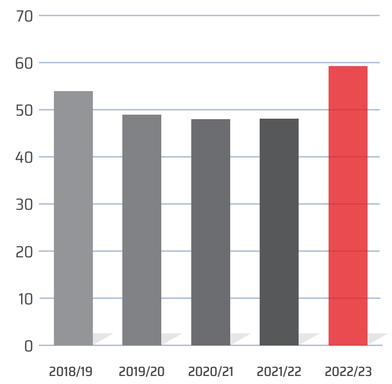
Total Equity Rs.Bn



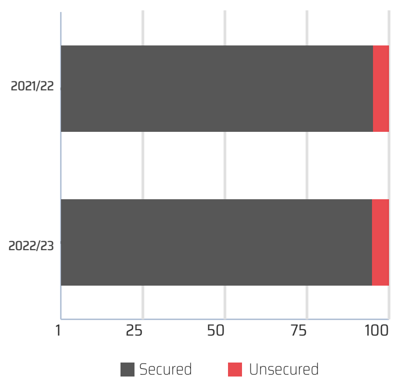
Net Interest Income Rs.Bn



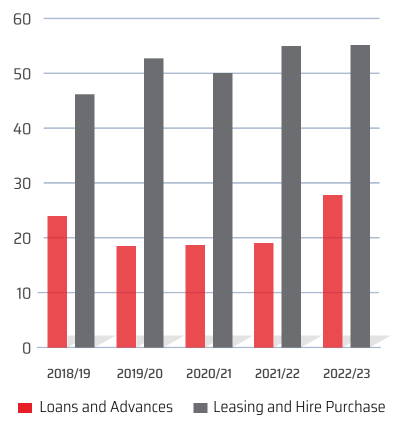
Total Deposits Rs.Bn



Secured and Unsecured Portfolio Composition %



Net Lending Portfolio Rs.Bn



LOVING AND CARING

Too often we underestimate the power of a touch, a smile, a kind word, a listening ear, an honest compliment, or the smallest act of caring, all of which have the potential to turn a life around.

COMMERCIAL CREDIT

OUR LEADERS

"We believe that by putting our customers first and staying true to our core values, we can continue to thrive in even the most challenging of circumstances."

Mr Bandula Egodage
Chairman

LEADERSHIP INSIGHTS

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I extend a warm welcome to the 40th Annual General Meeting of Commercial Credit and Finance PLC. It is my pleasure to present the Annual Report for the fiscal year ended March 31, 2023. The report has been available to shareholders for the required period, and with your permission, I consider it as acknowledged.

The company adeptly navigated a challenging year marked by socio economic crisis in the country. Our purpose-driven and value-centered approach allowed us to successfully support and retain customers, enabling us to weather the formidable challenges together.

We are proud of our accomplishments over the past year, and we remain committed to our purpose-driven, value - centered approach to business. We believe that by putting our customers first and staying true to our core values, we can continue to thrive in even the most challenging of circumstances. Moreover, on behalf of the Board, I wish to inform you that the Board of Directors, Management, and employees of Commercial Credit and Finance PLC have acted in good faith while diligently carrying out the company's operations.

ECONOMIC PERFORMANCE

The year 2022 posed significant challenges to the Sri Lankan economy, with the country facing its most difficult economic conditions since gaining independence. This led to public anxiety and political turbulence, underscoring the urgent need for coordinated policy initiatives by the Government and Central Bank. Prompt and resolute actions were taken in response, laying the groundwork for a more stable future. By focusing on restoring socio-economic stability and receiving support from international financial institutions, the country is better prepared to tackle future economic challenges.

In 2022, the GDP at constant market prices contracted by a historic 7.8%, compared to the 3.5% growth recorded in 2021. Nevertheless, the Central Bank and Government swiftly implemented crucial policy measures to address the adverse economic headwinds faced by the country. These measures played a pivotal role in

"Through strategic and meticulous planning, we can transform these challenges into opportunities that serve as catalysts for our organization's growth."

mitigating the impact of the economic contraction and providing short-term stability to the economy.

OPERATING ENVIRONMENT

The non-banking financial institutions (NBFI) sector has shown a significant improvement in its performance during 2022, recovering from a lackluster year. The sector has observed a considerable growth in credit and profitability. As per the financial report, the sector's asset base has grown by 8.3% during the year, reaching 1,611.2 Bn. This growth can be attributed to the 3% increase in the net loan book, with a significant rise in the hire purchase and gold loan segments.

During the year, there has been a decline in asset quality, as both the gross and net non-performing advances (NPA) ratios have increased. The gross NPA ratio has risen to 11.07% from 4.67% in 2022, and the net NPA ratio has increased to 1.17% from (4.09%) in 2022.

The liabilities of the sector were dominated by customer deposits, which accounted for 67.5% of the total. The sector observed a growth of 10.4% in deposits, reaching Rs.864.4 Bn, while borrowings declined marginally by 1% to reach Rs. 322.5 Bn during the year.

BUSINESS PERFORMANCE

The year posed significant challenges as our company navigated through the socio-economic crisis that affected the country.

Despite these obstacles, our organization exhibited resilience and achieved success through the collaborative efforts of our dedicated teams. However, our business performance was impacted by the prevailing crisis. Despite experiencing a growth of 3% in our net loan book, we encountered reduced interest yields, which ultimately led to a decline in our Net Interest Margin (NIM) from 14.8% to 13.1%.

Despite the challenges faced, our company reported a profit after tax of Rs. 2.6 billion, representing a decline compared to the previous year's profit of Rs. 4.52 billion. This decline can be attributed to a decrease of 7.05% in net interest income, partially offset by a notable increase of 62.49% in fee and commission income.

The decline in profitability compared to the previous year, coupled with the growth in the asset base, led to a decrease in the Return on Assets (ROA) to 2.7% compared to the previous year's figure of 4.9%. Similarly, the Return on Equity decreased to 13.15% compared to the previous year's value of 26.1%.

We remain committed to addressing these challenges and implementing strategic measures to improve our financial performance continuously.

Despite these challenges, the Board of Directors is pleased to recommend a final dividend of Rs. 1.00 per share for the financial year ending on March 31, 2023.

NAVIGATING THROUGH THE UNPREDICTABLE

The Company has consistently maintained the highest standards of ethics and governance, ensuring sustainable value for its stakeholders. Despite the socio economic crisis faced by the country, the Board has increased its oversight to ensure the effectiveness of internal controls and the identification and management of key risks.

Throughout the year, all Board Sub-Committees and Executive Sub-Committees have been actively involved in conducting regular meetings to advise the management on operational matters, assess changing situations, and recommend necessary

CHAIRMAN'S STATEMENT

actions. The proactive engagement of a largely non-executive Board has been crucial in ensuring the seamless continuity of the Company's business processes and its ability to face challenges while capitalizing on new business opportunities in the market.

DEFINING THE FUTURE

Following a successful financial year in the face of a rapidly deteriorating domestic economy, our company must now prepare for another challenging year ahead. Although the Government has made significant gains in stabilizing the economy by signing Extended Fund Facility (EFF) with International Monetary Fund (IMF), implemented Domestic Debt Restructuring, and curtailed inflation and interest rates, there remains much to be done and we feel that there will be difficult times, where the livelihood of the general public will be significantly disrupted, and it is imperative that we prioritize customer support by delivering exceptional products, services, and interactions.

From a company perspective, it is of utmost importance that we adopt a proactive approach to overcome the challenges posed by the ongoing economic crisis in our country. Through strategic and meticulous planning, we can transform these challenges into opportunities that serve as catalysts for our organization's growth.

The proposed Domestic Debt restructuring proposal is expected to reduce the funding and liquidity risks of the NBFI sector however the weak economic environment continues to pose challenges to the sector in the year ahead.

APPRECIATIONS

The Board of Directors and I extend our sincere appreciation to our valued customers for their steadfast trust in our products and services. Their loyalty has been crucial to our remarkable success. We also express deep gratitude and admiration to our previous chairmen, whose exceptional leadership has shaped our company and established a solid foundation for our current achievements.

Heartfelt gratitude is extended to my esteemed colleagues on the Board for their invaluable guidance, support, and genuine encouragement during a challenging year. Their collective expertise has navigated us through obstacles and ensured sustained success. I would also like to express my deepest appreciation to our Chief Executive Officer and esteemed Board Member, Mr. Roshan Egodage, for his inspirational leadership and commitment.

I take this opportunity to express sincere gratitude to our senior management, dynamic and dedicated employees. Their drive, diligence, determination, and discipline have been instrumental in our remarkable achievements. Together, we will reach even greater heights in the future.

Our sincere thanks and deep appreciation go to the Central Bank of Sri Lanka (CBSL) for their consistent support and guidance. We also express gratitude to all our stakeholders for their trust and confidence during these challenging times. We look forward to their continued support as we move forward.

Mr. G. B. Egodage

Chairman

31st July 2023

"The remarkable achievements of our Company over the past year are a result of the unwavering passion, dedication, and drive exhibited by every member of the Commercial Credit Family."

Mr Roshan Egodage
Chief Executive Officer

LEADERSHIP INSIGHTS

REVIEW OF THE CHIEF EXECUTIVE OFFICER

REVIEW OF THE CHIEF EXECUTIVE OFFICER

As we approach the end of the financial year 2022/23, I am excited to share with you the performance review of Commercial Credit and Finance PLC for the financial year ending on the 31st of March, 2023.

I am pleased to present the main highlights and key achievements of the Company during the period under review. A detailed analysis and information of all relevant areas are presented under the Management Discussion & Analysis and other sections of this Annual Report, providing a comprehensive overview of our performance.

IMPORTANCE OF SHARED VALUES

During these tough economic times, when survival takes precedence over values, we strongly believe that our company's purpose and shared values will guide us to help those who have been affected and uplift their lives to the best of our abilities.

The remarkable achievements of our Company over the past year are a result of the unwavering passion, dedication, and drive exhibited by every member of the Commercial Credit Family. A crucial element in our continued success is the presence of our Shared Values and the distinct principle-based culture within our organization. These internal standards not only differentiate us from others but also contribute to the expansion of our customer base. By embracing these Shared Values, Commercial Credit and Finance PLC has become an innovative and formidable corporate entity in Sri Lanka's financial services sector. Our distinctive culture drives our employees to become principle centered leaders who serve customers with empathy and understanding, thereby uplifting their lives.

At our organization, we prioritize our five Shared Values and Principles, implementing a wide range of initiatives that permeate every level of our company. We strongly believe that achieving our Company's purpose, which is "To build leaders who uplift the lives of people by simple acts of love," requires the establishment of a unique corporate culture. To foster this culture, we have consistently promoted various activities and practices. These include conducting ongoing training sessions, commencing each working day at all locations and corporate events with the singing of our trilingual Theme Song, wearing Value Badges as a symbol of our shared values, and organizing events such as the Value Day. Through these endeavors, we aim to cultivate a sense of belonging and well-being among our employees, equipping them with a proactive growth mindset that extends beyond their professional lives and into their day-to-day interactions with everyone.

Furthermore, the value badge up gradation is a significant factor in remuneration and promotion opportunities, awarded to employees who consistently demonstrate the practice of Shared Values within and outside the company. Additionally, our Enterprise Resource Planning system conducts a quarterly 360 Degree Evaluation to carefully monitor and assess employee character and competence. This comprehensive evaluation process ensures a thorough and objective assessment, fostering the overall growth and development of our workforce.

The Company finds continuous inspiration in the impactful work of the late Dr. Stephen Covey, Founder of the globally recognized personal development organization, Franklin Covey, and author of "The 7 Habits of Highly Effective People." As a result, the Company has undertaken various initiatives to effectively communicate these "7 habits" to employees. Comprehensive training programs have been implemented across all Company locations, engaging a substantial number of employees at every level. Through these initiatives, we aim to instill the principles and practices outlined in Dr. Covey's work, fostering personal and professional growth throughout the organization

These continuous efforts are encouraging our employees to live a principle base life bringing effectiveness to them as well as for the company. These transformative changes have elevated the well-being of our staff, impacting their professional and personal lives positively. Consequently, these advancements resonate throughout our organization, benefiting the experiences of both our internal and

"At our organization, we prioritize our five Shared Values and Principles, implementing a wide range of initiatives that permeate every level of our company."

external stakeholders across all aspects of our business.

I strongly believe that having a well-equipped Training Academy is crucial for us to fulfill our company's purpose. It serves as a space where our employees can develop their character and enhance their productivity. With the construction of our new training academy, we are better prepared than ever to provide our employees with the necessary resources for effectives. This investment in our workforce will not only benefit our employees, but also positively impact our clients and overall business performance. I am confident that our new training academy will prove to be a valuable asset to our company for many years ahead.

PERFORMANCE

The past year presented significant challenges as our company navigated through a socio-economic crisis that had a profound impact on the country. Despite these obstacles, our organization demonstrated resilience in a year that business performance was adversely affected by the prevailing socio-economic crisis.

The company achieved a profit after tax of Rs. 2.6 billion, a decline from the previous year's profit of Rs. 4.52 billion. This was due to the reduction in net interest income due to the increase in interest costs and increase in impairment costs. The Net Interest Margin

(NIM) declined to 13.1% from 14.79% in the previous year, despite a 5.0% growth in average earning assets.

However, a notable increase of 62.49% in fee and commission income, partially offset the decline, which resulted in mitigating the reduction in net operating income. The cost to income ratio increased, to 51.8% from 47.1% in the previous year, due to the decline in operating income.

During the year, our company's asset base reached Rs. 102.1 billion, reflecting a growth of 9.10%. This growth was primarily driven by a substantial increase of 3% in our net loan book, which accounted for 74.5% of our overall asset base.

The economic crisis had an impact on our asset quality, resulting in a Gross Non-Performing Asset (NPA) ratio of 11.07% compared to 4.67% in the previous year. The Net NPA ratio was also affected, rising to 1.17% from -4.09% previously. However, both our gross and net NPA ratios performed favorably in comparison to the sector average, which stood at 17.5% and 12.3% respectively.

Public deposits dominated our funding base, accounting for 72.46%. Our deposit base experienced notable growth of 23.22%, reaching Rs. 59.2 billion. Conversely, bank borrowing decreased by 15% during the year, primarily due to liquidity challenges faced by the banking sector.

These results highlight the resilience and adaptability of our company in the face of challenging circumstances. Our focus remains on strengthening our performance and navigating through the ongoing socioeconomic crisis with determination and strategic measures.

FUTURE FOCUS

The current economic crisis in our country poses an unprecedented challenge for both businesses and individuals across all sectors. As a company that has grown alongside our customers, it is our responsibility to provide support during these difficult times and help them navigate these challenges. Our unwavering commitment to our purpose and shared values will guide us through these turbulent waters, ensuring that we remain dedicated to serving and uplifting our customers.

We are also optimistic that the economy will return to a growth path. The successful negotiations of the IMF facilities, the resolution of the Domestic Debt Restructuring (DDR) with minimum impact to financial sector are positive signs. The further liberalization of the economy and privatization will provide impetus to the economy in the medium term.

Looking ahead, our future plan entails a strong focus on digitalization, recognizing it as a crucial driver for growth and success. By embracing digital platforms, we aim to expand our customer base, meet evolving expectations, and deliver innovative services. Leveraging data analytics and artificial intelligence will enable us to personalize our offerings and cultivate stronger customer relationships. Collaborating with fintech partners will provide specialized expertise and cutting-edge technologies, positioning us as leaders in the digital landscape.

However, we are acutely aware of the importance of robust cybersecurity measures to safeguard customer data. We prioritize cybersecurity by implementing advanced security protocols, monitoring systems, and comprehensive employee training to mitigate the risks associated with cyber threats and data breaches. Embracing digital transformation and fostering a culture of continuous innovation will be vital for us to stay ahead and secure long-term success in the dynamic digital space.

APPRECIATION

I am delighted to acknowledge the remarkable achievements of Commercial Credit in recent years, positioning us as a prominent leader in the Non-Bank Financial Institutions (NBFI) sector in our country. These accomplishments are a testament to our dedication, strategic foresight, and relentless pursuit of excellence through our purpose.

It is truly inspiring to reflect on Commercial Credit's journey and the significant milestones we have achieved in the Non-Bank Financial Institutions sector. We owe this success to the support and trust of our esteemed customers and shareholders. I extend my heartfelt gratitude to each and every one of you for entrusting us with your confidence and enabling us to transform our aspirations into tangible achievements. Your belief in our company purpose has been the driving force behind our pursuit of excellence, propelling us to unprecedented heights.

I would like to express my sincere appreciation and admiration for the exceptional team at Commercial Credit. Their commitment towards achieving company purpose, with exemplary principle based work ethic, professionalism, growth and innovative mindset continuously astound me. It is undeniable that their dedication and perseverance have played a pivotal role in propelling Commercial Credit to the extraordinary heights we have achieved today.

I also extend my sincere appreciation and gratitude to Mr. Soosaipillai, our previous chairman. Throughout his tenure, his strategic foresight, dedication, and exceptional guidance played a crucial role in shaping our company's accelerated growth. I wish Mr. Soosaipillai continued success and fulfillment in his future endeavors, and his contributions will always be remembered and cherished as an integral part of our company's journey.

Last but not least, I would like to express my utmost gratitude to the esteemed members of the Board of Directors, under the leadership of our Chairman, Mr. Bandula Egodage. Their steadfast support and invaluable guidance during these challenging times have been instrumental in navigating our company through various obstacles. The depth of knowledge, extensive experience, and strong leadership exhibited by the Chairman and the Board have significantly contributed to the growth and success of our organization.

Mr. R. S. Egodage
Chief Executive Officer

31st July 2023

BOARD OF DIRECTORS

G. B. EGODAGE

Chairman
Non-Executive Director

Mr. Bandula Egodage is a seasoned professional with over 37 years of experience in the local and international business markets. He has a diverse and extensive range of experience in both the private and government sectors in Sri Lanka, having served at senior management and board levels in various organizations. He has excelled in his career, demonstrating proficiency in Public Affairs, Regulatory Affairs, Sales, Corporate Communications, and Crisis Management functions.

He was appointed as a Director of Commercial Credit and Finance PLC in October 2021 and has been serving as the Chairman since November 2022. In addition, he holds positions as the Chair of the Board of Human Resource and Remuneration Committee and is a committee member of Board Audit Committee, Board Integrated Risk Management Committee, Board Related Party Transactions review committee and Board Nomination Committee in Commercial Credit and Finance PLC.

He is the former Chairman of the Export Development Board of Sri Lanka, Industrial Association of Sri Lanka, National Packaging Center and Development Holdings Pvt Ltd and former Director of Trade Finance PLC, the National Gem & Jewellery Authority of Sri Lanka and the Sri Lanka Coconut Cultivation Board.

He has also headed multiple trade delegations including presidential trade delegations in representation of Sri Lanka and been a regular panellist at international trade forums:

- Head of the Presidential Trade Delegation to Kenya, Bahrain and Belarus
- Member of the Sri Lankan Ministerial Commerce Delegation to Vietnam, China, South Africa, Mozambique, Swaziland and India

He currently serves as the Chairman of Asia Pacific Institute of Information Technology (APIIT) Sri Lanka, Vice President of Corporate & Regulatory Affairs for Nestlé Lanka PLC, an Executive Member of SAARC (South Asian Association for Regional Cooperation) Chamber of Commerce and Industry, Director of Sri Lanka Coconut Research Institute, Suwasevana Hospitals and Ceyline Group of Companies, Senior Vice President of Sri Lanka Maldives Business Council, Export Development Board - Advisory Committee on Education, Member of Swiss Business Circle and Member of Institute of Directors (SLID).

R. S. EGODAGE

Chief Executive Officer
Executive Director

Mr. Egodage took over the reins of Commercial Credit in October 2009 following the takeover of the Company by BG Investments (Private) Limited and joined the Board of Commercial Credit in March 2011. As Chief Executive Officer, he has been the driving force behind the Company's stellar success, charting a visionary course of leadership and growth.

Prior to taking over the stewardship of Commercial Credit, Mr. Egodage held several senior management positions in the finance industry, including the role of Deputy Chief Executive Director of The Finance Company PLC in 2006, while also serving on the Boards of several group of companies simultaneously.

Mr. Egodage has previously held the positions of General Manager - Finance, Planning and Administration at Kotagala Plantations PLC and General Manager – Projects and Planning at Agalawatte Plantations PLC. Currently, he serves on the Boards of several privately held companies registered in Sri Lanka, Philippines and Singapore. Having earned a BSc. Eng. degree from the University of Peradeniya and initially embarking on a career in engineering, he then set his sights on a career in business management, earning an MBA from the University of Colombo. Mr. Egodage is a fellow member of the Chartered Institute of Management Accountants, UK (FCMA), an associate member of the Chartered Institute of Marketing, UK (ACIM) and an associate member of the Institute of Certified Management Accountants, Sri Lanka (ASCMA).

He currently serves as the Non- Executive Director of BG Capital (Pvt) Ltd, BG Investments (Pvt) Ltd, Asia Pacific Institute of Information Technology Lanka (Pvt) Ltd, BG Overseas Ventures Singapore PTE Ltd, BG International Philippines PTE Ltd, BG One International PTE. Ltd, Colombo International Nautical & Engineering College (CINEC), Ceyline Investments (Pvt) Ltd and K- Seeds Investments (Pvt) Ltd.

G. R. EGODAGE

Executive Director

Mrs Egodage joined Commercial Credit as an Executive Director following the takeover of the management by BG Investments (Private) Limited in December 2009. Presently, she serves as a Non-Executive Director of BG Investments (Private) Limited and BG Capital (Private) Limited.

Mrs Egodage began her career as an Assistant Lecturer at the Department of Chemistry, University of Peradeniya. She served for a period of 4 years as a Process Chemist at Ansell Lanka. From 1996 to 2005 she held the post of Assistant Director for Quality Control and Quality Assurance at the Coconut Development Authority. She brings the experience and dedication to her role as an Executive Director of Commercial Credit and is an integral component of the success story of the Company. She holds a BSc. (Hons) Degree in Chemistry from the University of Peradeniya and a Post Graduate Diploma in Business Administration from the Open University of Sri Lanka.

R. C. CHITTY

Chief Operating Officer
Executive Director

Mr. Rajiv Casie Chitty is a fellow of the Association of Chartered Certified Accountants (ACCA), UK , Associate Member of the Chartered Institute of Management Accountants (ACMA), UK, and a Chartered Financial Analyst (CFA), USA. He has completed his MSc in Computer Science at Staffordshire University, UK. Additionally, he obtained his Masters in Economics from the University of Colombo and was honored Janashakthi Gold at the 2006 CIMA Pinnacle Awards. Furthermore, Mr. Rajiv Casie Chitty is the former President of the ACCA Sri Lanka panel. Mr. Casie Chitty has over 32 years' experience in the private sector of which over 17 years has been at senior management level.

Mr. Rajiv Casie Chitty currently serves as a Non-Executive Director of several companies, including ACL Cables PLC, Tangerine Beach Hotel PLC, Royal Palm Beach Hotel PLC, Office Equipment PLC, Paragon Ceylon PLC, Ceylon Printers PLC, Ceyline Holdings (Pvt) Ltd, Colombo International Nautical College (Pvt) Ltd, Asia Pacific Institute of Information Technology (Pvt) Ltd, Lakdhanavi Limited, TVS Lanka (Pvt) Ltd, GFS Lanka (Pvt) Ltd, CMA Ships Lanka Ltd.

L. L. S. WICKREMASINGHE

Senior Director
Independent Non-Executive Director

Mr. Lasantha Wickremasinghe, is a fellow member and a past president of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and a fellow member of the Association of Accounting Technicians of Sri Lanka (AAT).

He serves as the Chairman of the Board Integrated Risk Management Committee, the Board Nomination Committee further, is a member of the Board Audit Committee and Board Related Party Transaction Review Committee in Commercial Credit and Finance PLC.

He currently serves as a Non - Executive Director of Api Wenuwen Api Fund, Executive Director of Neem Lanka (Pvt) Ltd, Accounting and General Services (Pvt) Ltd, AMBK Consultant (Pvt) Ltd, Nexia BPO (Pvt) Ltd, Nexia Business Advisory Services (Pvt) Ltd, Nexia Management Services (Pvt) Ltd. He is a partner at B R De Silva & Company Chartered Accountants since 1997 and specializes in Audit and Assurance Services and Partner of N. I. T. & T (Pvt) Ltd.

BOARD OF DIRECTORS

F.A.P.L SOLBANI

Non-Executive Director

Mr. Frederic Solbani holds Master degree in Marketing, Specialization in Management and Communication from EDHEC Business School, France.

He has wide range of experience in the private sector organizations at senior Management level and Board level. He has more than seven years of experience working with global companies.

He currently serves as the Chief Executive Officer of Group Lease Finance, Indonesia. Further he currently hold Executive Directorships in Group Lease Laos, BG Micro Finance Myanmar, Group Lease PLC.

T. M. L. PAKTSUN

Independent Non-Executive Director

Ms. Tamara Paktsun is a Fellow of the Institute of Chartered Accountants of Sri Lanka and a Fellow of the Association of Chartered Certified Accountants, UK. She is a senior finance professional with extensive experience in the private sector, both in Sri Lanka and overseas.

She was appointed to the Board of Commercial Credit and Finance PLC in February 2020 and chairs the Board Audit Committee and the Board Related Party Transactions Review Committee. She is a member of the Board Integrated Risk Management Committee, the Board Human Resources and Remuneration Committee and the Board Nomination Committee.

Ms. Paktsun was the Director Finance & Operations of PricewaterhouseCoopers Sri Lanka and Maldives for over 13 years and previously functioned as the Chief Financial Officer of Ceylease Financial Services Limited, the leasing subsidiary of the Bank of Ceylon.

GILLIAN EDWARDS

Independent Non- Executive Director

Ms. Gillian Edwards is a career banker with over 36 years of experience in the Sri Lankan Banking Sector. Having rendered her services to DFCC Bank PLC and Seylan Bank PLC, she counts for over 11 years at Senior Corporate Management level. Her work experience spans the transformative years in Retail Banking. Under her Leadership, Personal Financial Services / Retail Banking was set up at DFCC Vardhana Bank PLC and she progressed to head the Consumer Banking at DFCC Bank PLC. Having held the positions of Senior Vice President Consumer Banking at DFCC Bank PLC and Assistant General Manager Personal Banking at Seylan Bank PLC, her vast experience covers all aspects of Retail Banking, Small and Medium Enterprise(SME) and Micro Small and Medium Enterprises (MSME).

Ms. Edwards holds a Masters in Business Administration from University of Southern Queensland, Australia, a Post Graduate Executive Diploma in Bank Management from the Institute of Bankers of Sri Lanka, and is an Associate Member of the Certified Management Accountants, Australia. She was honored for her achievements in the Banking Sector at the "Top 50 Professional and Career Women Awards Sri Lanka and Maldives, 2020.

She was appointed to Board of Commercial Credit and Finance PLC as Independent Non-Executive director in July, 2021 and she is a member of the Board Integrated Risk Management Committee and Board Human Resource and Remuneration Committee of the company.

D.E. MALFAR

Non-Executive Director

Mr. Douglas Malfar joined Creation Investments in 2019 and is a Vice President, focusing his energy and efforts on investments in Asia and CEEMEA. He has more than eight years of experience working with global financial service companies and institutions. Prior to joining Creation Investments, he worked as an investment banker in the financial institutions group at Goldman Sachs, where he worked on numerous transactions across mergers and acquisitions, public and private capital raises (debt & equity), and shareholder activism defense / anti-raid. He began his career at Keefe, Bruyette, & Woods, a boutique investment bank that specializes in regional banks.

Malfar holds a BSc in Finance degree from the University of Illinois and currently resides in Chicago.

Doug Malfar was appointed to the Board of Commercial Credit and Finance PLC in July, 2022.

W. DON BARNABAS

Independent Non- Executive Director

Mr. Barnabas was the Managing Director/ Chief Executive Officer of ICRA Lanka Limited (ICRA Lanka), which was a Group Company of Moody's. He set up the credit rating operations in Sri Lanka in 2011 for the Moody's group and served the Company till his retirement in January 2022.

He has been CEO/Director of NDB Stock Brokers, Capital Development and Investment Company, NDB Housing Bank Ltd and Maldives Finance Leasing Company. He has also been a Director/ Investment Committee member of Ayjona Fund Management Company, a venture capital fund Management Company. He had been with the NDB group for 20 years, holding many senior positions. He was one of the Pioneers who established investment banking at NDB bank and went on to head the department. After retirement from NDB Bank he was the CEO of Overseas Realty PLC.

He has a MBA from University of Colombo and a first class B.Sc degree from Madras University.

Mr. Barnabas was appointed to Board of Commercial Credit and Finance PLC in February, 2023 and is also a member of Board Integrated Risk Management Committee of the company.

JANAKI KURUPPU

Independent Non- Executive Director

Dr (Ms) Kuruppu was appointed to the Board of Commercial Credit and Finance PLC in August 2023 as an Independent Non-Executive Director.

Her specific experience in the finance sector includes being the first Chairperson of the Regional Development Bank which she set up in 2010 by merging six provincial level banks with over 250 branches, former Director on the Board of Commercial Bank of Ceylon PLC, a Director of Sarvodaya Development Finance PLC for 7 years and CBC Finance Ltd for 9 years.

Starting her career as an entrepreneur, Dr. Kuruppu was single handedly responsible for bringing Nielsen to Sri Lanka by inviting them to invest in her market research company SMART and spearheaded it to become the largest Market Research company of that time as its first CEO/ Managing Director. Thereafter, she served the Cargills Group as the Group Director-Strategic Planning and Business Development. After an illustrious career in the private sector, she served the public sector for seven years in an advisory capacity. Her tenure in the Public Service is marked with many milestones. Namely, she has the distinct honour of being the first Chairperson of the Regional Development Bank and the first female Chairperson of the Sri Lanka Tea Board. She also founded the Mother Sri Lanka, a non-profit organization to pioneer proactive participation in nation building. Dr. Kuruppu was also an Adviser to the cabinet Sub Committee for Food Security and Cost of Living Management, Director of the Co-operative Wholesale Establishment, Commercial Bank, Colombo Dockyard and a Director of the Presidential Secretariat.

In addition to being awarded over seven awards both locally and internationally for her performance, Dr. Kuruppu is also the only Asian to be appointed the Steering Committee of AgriFin, a joint project of Bill and Melinda Gates Foundation and the World Bank for agriculture financing. Dr. Kuruppu holds a PhD from the University of Colombo, an M.A. in Statistics and a B.Sc in Mathematics from the University of Missouri, USA. At present, Dr Kuruppu is the Chairperson of Mother Lanka Foundation, runs her own business ventures and also works as a freelance business strategy and development consultant while serving as a member of many corporate boards.

EXECUTIVE MANAGEMENT TEAM


ROSHAN EGODAGE


GEYA EGODAGE


ANURADHA RANAWEERA


RAJIV CASIE CHITTY


K.L.A. SENEVIRATHNE


JANAKA DESHAPRIYA


LALITH KARUNARATHNE


SHALIKA HERATH


AYESH PITIGALA


HAVINDU BALASOORIYA


SISIRA ATTANAYAKE


LAWARENCE FERNANDO


D.G. JAYARATNE


THILAN PREMATHILAKA


SHAMMI JAYATHILAKA

SHARED VALUES

INTEGRITY AND TRUST

> Your character is the most important asset that you will develop in your entire life, and your character is based on the amount of integrity you have. *- Brian Tracy*

COMMERCIAL
CREDIT

THE BEST IS ACHIEVED TOGETHER.

The challenges of today cannot be resolved individually. That is why we at Commercial Credit appreciate the differences of others and work together to achieve a common purpose.

ABOUT THE COMPANY

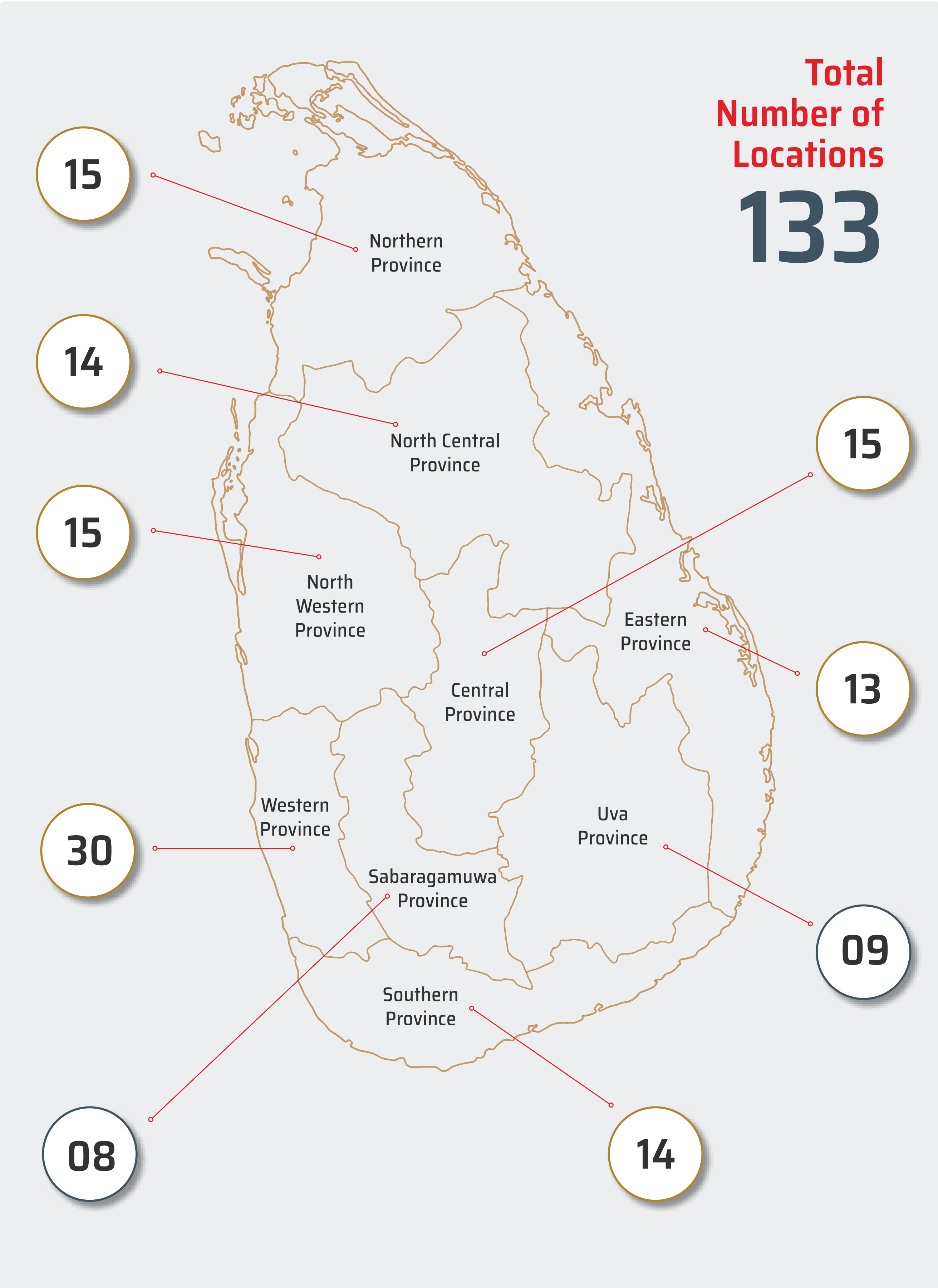
ABOUT THE COMPANY

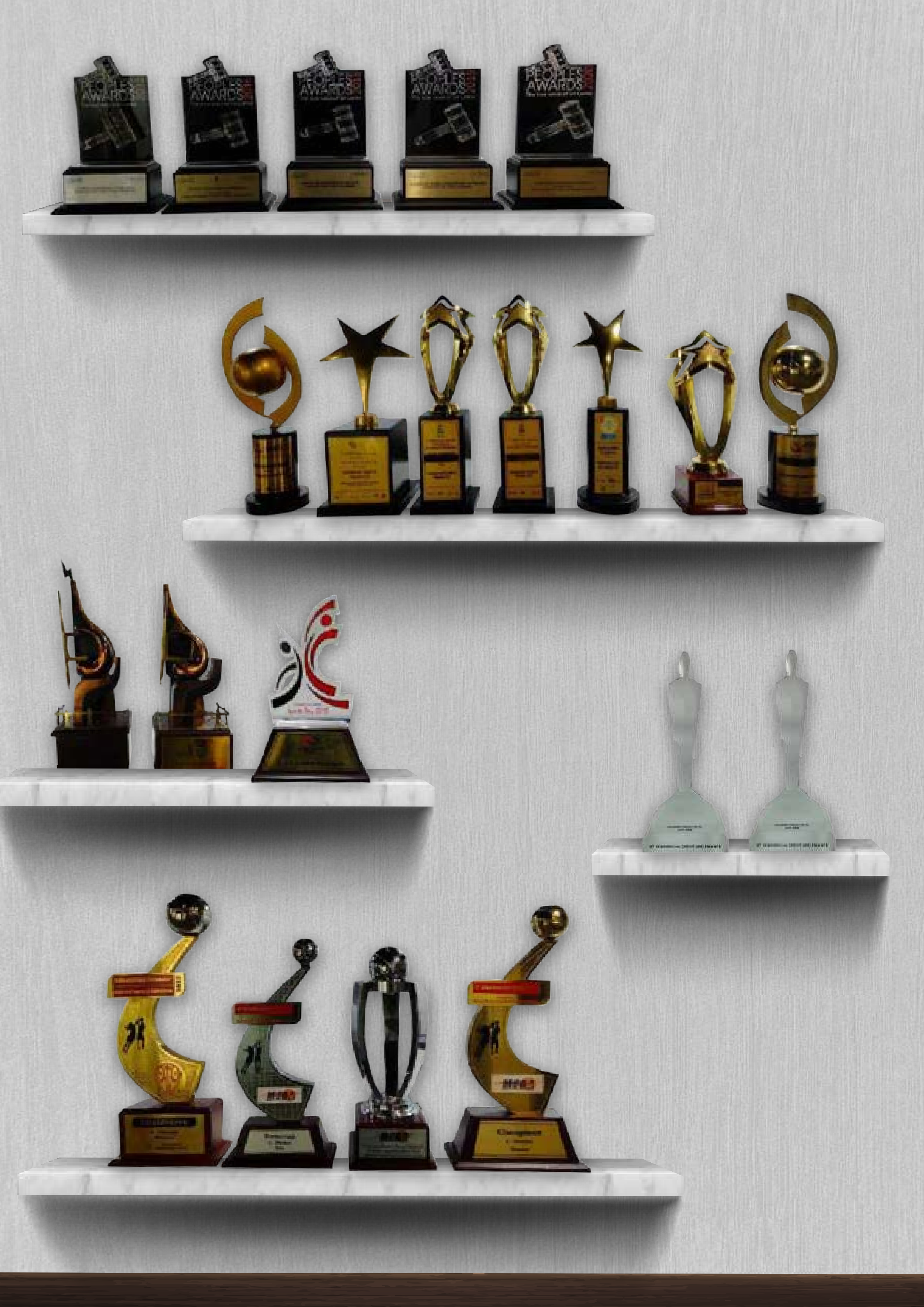
Commercial Credit and Finance PLC was founded on the 4th of October 1982, with its incorporation as a Private Limited Liability Company under the Companies Act No. 17 of 1982 in Kandy, Sri Lanka's hill capital, under the name Commercial Credit (Pvt) Ltd. Later, on the 16th of December 1989, it was registered as a Public Limited Liability Company, known as Commercial Credit Ltd, in accordance with the aforementioned Act. Subsequently, the Company was re-registered under the Companies Act No. 07 of 2007 on the 8th of April 2008 and under the Finance Business Act No. 42 of 2011 on the 6th of August 2012. With the listing of its shares on the Dirisavi Board of the Colombo Stock Exchange on the 1st of June 2011, the Company's name was changed to Commercial Credit PLC. To comply with the provisions of the Finance Business Act No. 42 of 2011, the Company adopted its current name, Commercial Credit and Finance PLC, effective from 17th May 2012.

Originally established with a primary focus on agricultural lending, the Company embraced a process and system-driven culture from its inception, which has yielded numerous benefits over the years. However, in October 2009, there was a change in majority shareholdings, resulting in a new management team. This dynamic team introduced a value-driven culture, aligning the Company's philosophy with long-term success and contributing to meaningful societal development.

Through these milestones and strategic shifts, Commercial Credit and Finance PLC has evolved, adapting to market dynamics and aiming to create lasting value for its stakeholders.

BRANCH NETWORK




PEOPLES AWARDS
PEOPLES AWARDS
PEOPLES AWARDS
PEOPLES AWARDS
PEOPLES AWARDS


Winner

LEARNING AND DEVELOPMENT

"Every person you meet knows at least one thing you don't. don't let them leave without learning it."

3

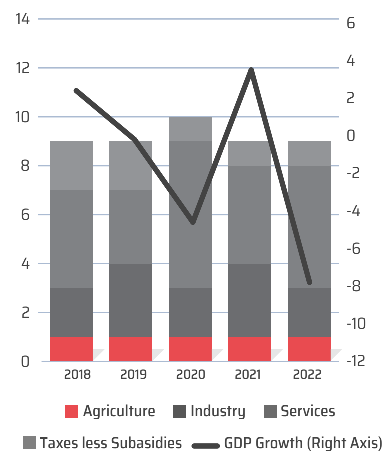
MANAGEMENT DISCUSSION & ANALYSIS

ECONOMIC REVIEW

LANKAN ECONOMY

Real GDP Growth Rate

Real GDP Growth Rate %



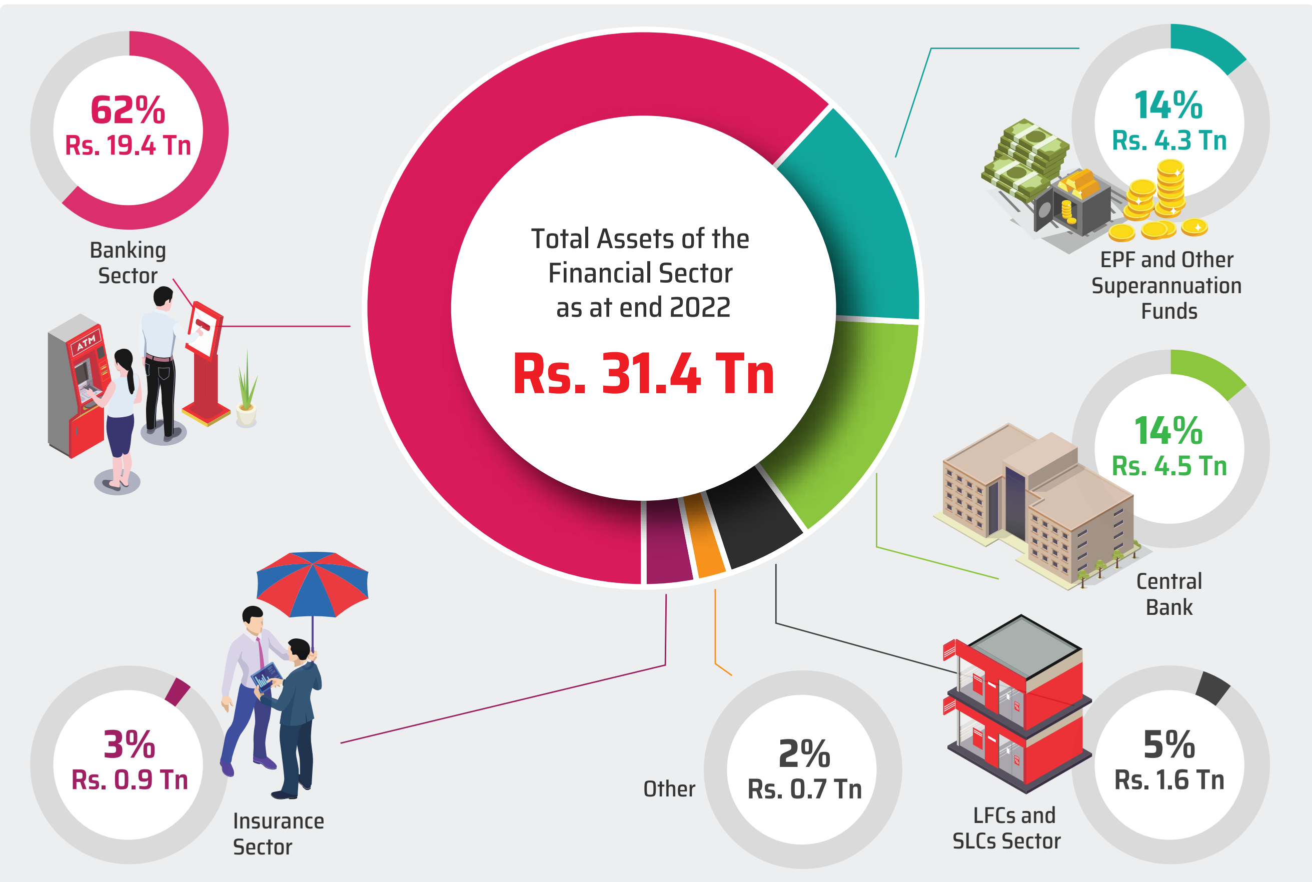
In 2022, the Sri Lankan economy experienced its most severe economic failure since independence, primarily due to the widespread impact of an unprecedented economic crisis in the face of both domestic and global challenges. This downturn reversed the progress made in the post-pandemic recovery, resulting in a contraction of the GDP by 7.8% in 2022, compared to the 3.5% growth recorded in 2021.

Throughout the year, the Central Bank maintained a tight monetary policy stance, which included a significant increase in policy interest rates of 700 basis points in April 2022. By the end of 2022, the Central Bank had raised its key policy interest rates, known as the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR), by a total of 10 percentage points. This unprecedented adjustment in policy rates played a crucial role in curbing the growth of demand-driven inflationary pressures. It also preempted the escalation of adverse inflation expectations, alleviated pressures on the external sector, and rectified anomalies observed in the market interest rate structure.

FINANCIAL SECTOR

Despite facing a range of challenges caused by the prevailing economic crisis, the financial system managed to maintain its stability throughout 2022. The adverse impact from sovereign rating downgrades, economic contraction, foreign exchange shortages, inflation, and the government's decision to halt external debt servicing had unprecedented effects on the financial sector. However, prudent regulatory measures and forbearances played a crucial role in preserving the stability of the financial system. In the banking sector, despite declining credit quality, liquidity pressures, low profitability due to impairments, and weakening capital buffers, stability was maintained. The Licensed Finance Companies (LFCs) and Specialized Leasing Companies (SLCs) sector experienced expansion in terms of assets and deposits, supported by sufficient capital and liquidity buffers, despite challenges stemming from credit contraction, decreased profitability, and an increase in non-performing loans.

Composition of the Total Assets in the Financial System



LICENSED FINANCE COMPANIES & SPECIALISED LEASING COMPANIES (LFC AND SLC) SECTOR

The performance of the Licensed Finance Companies (LFCs) and Specialized Leasing Companies (SLCs) sector experienced growth in terms of credit growth, asset quality and profitability representing 5.1% of the assets of Sri Lanka's financial system.

ASSETS

The sector's asset base experienced growth in 2022, expanding by Rs. 123 billion, representing an 8.3% increase and reaching Rs. 1,611.2 billion by the end of the year. This growth surpassed the 6.1% recorded in 2021. The expansion of assets was primarily driven by the growth in the loans and advances portfolio, as well as an increase in investments and liquid assets. Loans and advances accounted for 74.4% of the sector's total assets. Finance leases were the dominant component of the loans and advances portfolio, comprising 41.6% of total loans and advances by the end of 2022, compared to 48.3% at the end of 2021. The share of leasing portfolio decreased due to the government's restrictions on the importation of motor vehicles, aimed at limiting foreign currency outflows. However, the loans and advances portfolio grew by 5.0%, amounting to Rs. 1,199.2 billion by the end of 2022, supported by a significant surge in pawning/gold loans, which experienced a growth of 77.5% by the end of 2022.

The loans and advances portfolio grew by

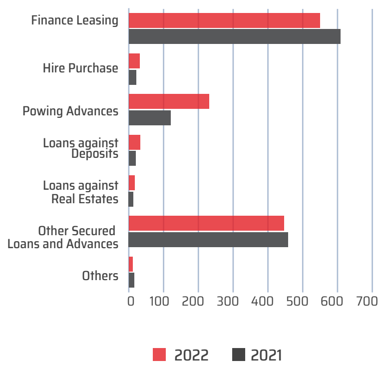
5.0%,

amounting to

Rs. 1,199.2 billion

by the end of 2022

Product wise loans and Advances | Rs.Bn



Source: Central Bank of Sri lanka

LIABILITIES AND CAPITAL

The LFCs and SLCs sectors continued to remain resilient with customer deposits contributing to 53.7% of the total liabilities. The deposit base increased to Rs.864.4 billion a 10.4% increase, while borrowings declined by 1% to Rs. 322.6 billion during 2022.

The sector demonstrated strength in capital base growth amounting to Rs.317.5 billion at the end of 2022 from Rs.251.6 billion recorded in 2021. The sector's core capital and total capital ratios increased significantly to 20.6 per cent and 22.0 per cent, respectively, as at end 2022 from the reported levels of 15.5 per cent and 17.0 per cent as at end 2021.

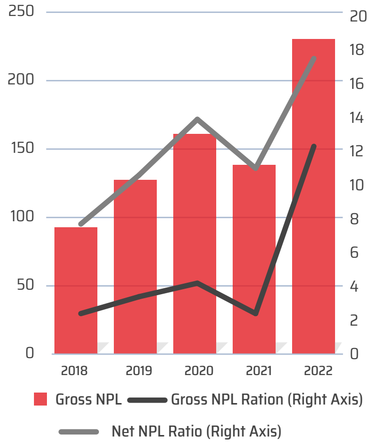
CREDIT QUALITY

The sector gross NPL ratio substantially increased to 17.5 per cent as at end 2022 from 11.0 per cent reported as at end 2021. With higher provision coverage for NPLs, the net NPL ratio also increased to 12.3% from 2.7% in 2021.

Capital growth

Rs.317.5 billion

Gross NPA and Net NPA | %

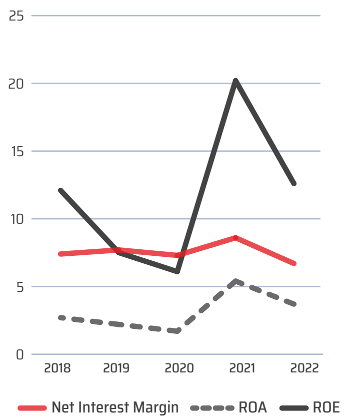


PROFITABILITY

The sector experienced a decline in profitability in 2022 compared to the previous year. Profit after tax (PAT) decreased by 21.0%, from Rs. 55.6 billion in 2021 to Rs. 43.9 billion in 2022, primarily due to a significant rise in interest expenses.

This decline in profitability is evident in the reduced return on equity (ROE) of 12.6% and return on assets (ROA) before tax of 3.7% in 2022, compared to 20.2% and 5.4%, respectively, in 2021. Moreover, the cost to income ratio increased to 87.3% in 2022, up from 72.6% in 2021, while the efficiency ratio rose to 68.9% during the same period.

Key Industry Performance Indicators | %



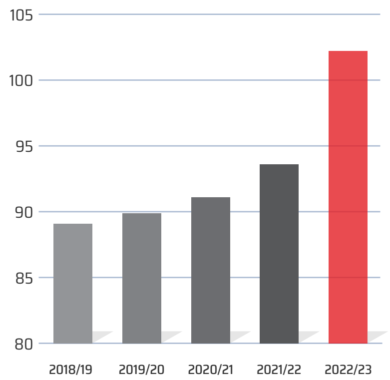
Source: Central Bank of Sri lanka

COMPANY FINANCIAL REVIEW

ASSETS

During the financial year ended 31st March 2023, Company experienced a growth in its asset base, which increased from Rs. 93.6 billion to Rs. 102.1 billion, reflecting a growth rate of 9.1%. This expansion was primarily driven by a notable growth of 3% in the net loan book, which constituted 74.5% of the Company's total assets. The asset base of the Non-Bank Financial Institution (NBFI) sector as a whole grew by 8.3% during the same period.

Total Assets Rs.Bn



LENDING PORTFOLIO

The Company's net loan book reached Rs. 76.1 billion, representing a modest growth of 3.0% compared to its previous value of Rs. 74.0 billion. Notably, the leasing and hire purchase segment expanded by 3.0% and accounts for 74.3% of the Company's net loan book. Furthermore, the loans and advances segment experienced a growth of 10.7%, primarily attributed to a notable 20.0% increase in the gold loan portfolio.

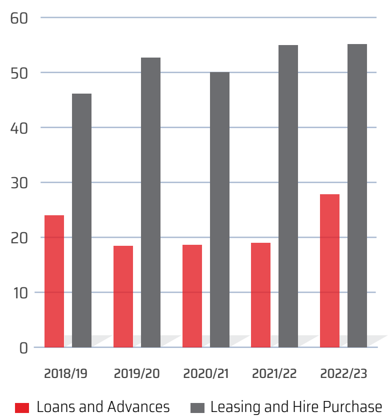
During the financial year, the Company witnessed a growth of 4.3% in its secured loan portfolio. This growth was primarily driven by the Leasing & Hire Purchase and Gold Loan segments. As a result, the secured loans constituted a significant portion, accounting for 94.8% of the Company's overall loan portfolio.

Assets growth

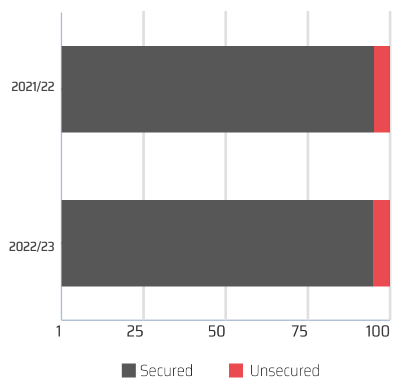
Rs.102.1 billion

9.1%

Net Lending Portfolio Rs.Bn



Secured and Unsecured Portfolio Composition %

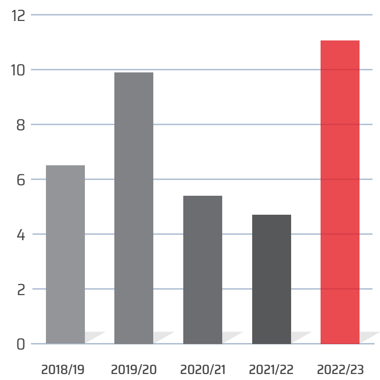


ASSET QUALITY

The Company's asset quality was affected by the prevailing socio-economic crisis in the country, resulting in an impact on the financial performance. The year concluded with a Gross Non-Performing Accommodation (NPA) ratio of 11.0%, a substantial increase compared to the previous year's ratio of 4.6%. This deterioration in asset quality underscores the challenges faced by the Company amidst the socioeconomic uncertainties. Additionally, the net NPA ratio of the Company, increased from -4.1% to 1.2%.

Within the NBFI sector, a similar trend was witnessed, with the Gross NPA ratio escalating from 11.0% to 17.5% during the year. The sector's Net NPA ratio also registered an increase, climbing from 2.7% to 12.3% in 2021/22.

Gross Non Performing Accomodation %

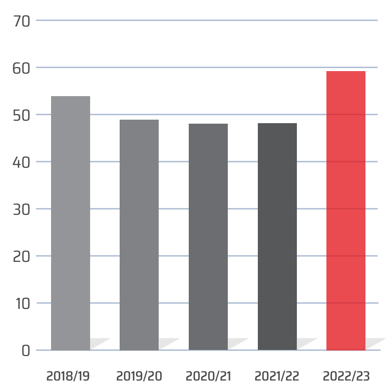


DEPOSITS

Public deposits remained the primary source of funding for the company, constituting 72.14% of the overall funding base. The deposit base exhibited a modest increase, growing by 23.22% during the year and reaching a total of Rs. 59.2 billion.

Similarly, within the Non-Bank Financial Institution (NBFI) sector, the deposit base experienced growth, expanding by 10.4% in 2022. This signifies a positive trend in the industry as a whole, as more individuals and entities choose to allocate their funds to the NBFI sector for safekeeping and potential returns.

Total Deposits Rs.Bn



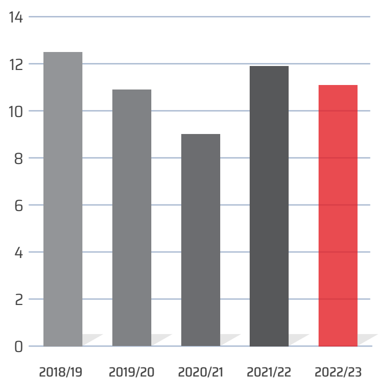
NET INTEREST MARGIN

The Company experienced a sharp increase in interest cost of 117% due to the overall increase in interest rates in the market due to tight monetary policy imposed by CBSL. However, the Company was partially able to overcome the increasing interest income by 36.4%. As a result the company's Net

Interest Margin (NIM) declined to 13.1% from 14.4%. This reduction in NIM can be attributed to a decrease in interest yields from 22.1% to 28.72%, as well as an increase in the cost of funds from 9.1% to 19.2%.

It is important to note that the NBFI sector also experienced a decrease in NIM, with a decline from 8.6% to 6.7% in 2022/23.

Net Interest Income Rs.Bn



PROFITABILITY

The company achieved a profit after tax of Rs. 2.6 billion, driven primarily by net interest income of Rs. 11.1 billion, fee and commission income of Rs. 3 billion, and other operating income of Rs. 1 billion.

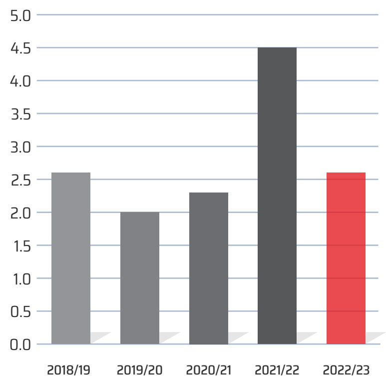
In comparison, the profitability of the NBFI sector decreased by 21.0% during the same period.

Despite enjoying relatively low asset base growth, the company reported a Return on Assets (ROA) of 2.7%, a decline from 4.9% in the previous year. Similarly, Return on Equity (ROE) also declined to 13.15% compared to 26.1% in the previous year.

The NBFI sector's ROA decreased to 3.7% from 5.4%, reflecting the overall decrease in profitability. The sector's ROE also decreased to 12.6% from 20.2% in the previous year.

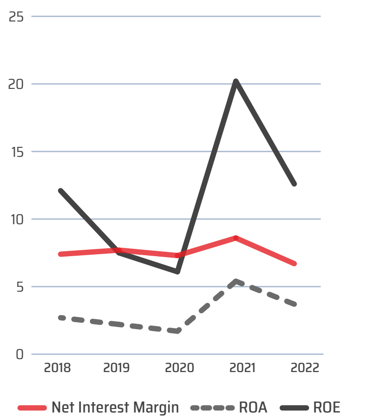
The core capital ratio and the total risk weighted capital ratio recorded 17.5% and 18.7% respectively compared to 17.6% and 19.2% in the previous year and were well above both ratios of the minimum regulatory requirement of 10% and 14% respectively.

Profit after Tax Rs.Bn



ROA AND ROE

Key Industry Performance Indicators %



Source: Central Bank of Sri lanka

SUSTAINABILITY REPORT

The company firmly holds the belief that a sustainable business model can be attained by remaining committed to its purpose and shared values. This requires integrating the company's corporate philosophy into its products, services, and everyday operations. By aligning these aspects, the company strives to establish a resilient and responsible business model.

MARKETING AND BRANDING

OVERVIEW

The company's strong culture, rooted in its purpose and shared values, is effectively conveyed to the public through the marketing department's channels. Marketing and branding campaigns primarily emphasize the innate benevolence present in individuals, showcasing their compassionate and magnanimous qualities. This has a positive impact on society, demonstrating how kindness and compassion can uplift lives.

The department is fully aware of the scrutiny that accompanies messages disseminated through various media platforms. Therefore, each process is carefully planned to ensure the intended message reaches our valued customers and potential clients, with a commitment to providing exceptional service.

DELIVERING TECHNOLOGY-BACKED PRODUCTS AND SERVICES

OVERVIEW

The implementation of a sustainable business model necessitates the establishment of robust infrastructure that enhances the experience of both internal and external stakeholders. To fulfill this purpose, Commercial Credit has established the Information & Communication Technology (ICT) Department, dedicated to delivering cutting-edge IT solutions across various departments. The primary goal of the ICT Department is to equip our internal customers with advanced ICT solutions and professional support, enabling them to carry out their daily tasks and responsibilities with maximum efficiency and effectiveness.

EMPLOYEES

The company recognizes that its uniqueness lies in its principled culture, which has been developed on a purpose and shared values. This distinct culture, combined with strategic investments in human capital, has become the company's most valuable asset. The exceptional talent, discipline, and passion exhibited by its employees have propelled the company to unprecedented heights in recent years. The Human Resources Department (HRD) and The Learning and Development Department (L&D) play a pivotal role in fostering and developing this culture by cultivating effective and equitable leaders who contribute significantly to the company's growth and make positive contributions to society. Therefore, the company is committed to continuously enhancing the capabilities of these departments and refining good practices to create a harmonious and conducive environment for all stakeholders. By prioritizing the cultivation of its unique culture and nurturing its human resources, the company is poised to maintain its uniqueness and drive sustainable success in the ever-evolving business landscape.

MAINTAINING COMPLIANCE

The company has established a comprehensive set of policies and procedures that govern various aspects of employee rights, privileges, duties, and responsibilities. These guidelines serve as a valuable resource for employees to navigate their daily interactions and handle unforeseen circumstances. In accordance with the Shop and Office Employees Act No. 15 of 1954, the company diligently upholds these HR practices. Furthermore, the company has developed its own policies and operating procedures, covering a wide range of important HR topics such as grievance handling, attendance and leave, disciplinary actions, performance evaluations, recruitment, orientation, resignation, termination and retirement, staff facilities, transfers and promotions. In line with its progressive approach, the company has also implemented an Anti-Sexual Harassment Policy, Whistle Blower Policy and an Ethical Framework, aimed at fostering a respectful and conducive work environment while fostering a sense of self-discipline among its employees.

MAINTAINING EFFECTIVE INFRASTRUCTURE FOR PEOPLE

The Company places great significance on the welfare of its employees and has implemented several measures to ensure their health and well-being. To promote physical fitness, employees are provided with discounted memberships for the Fitness Centre (Gymnasium) and are encouraged to utilize these facilities to enhance their physical well-being. Additionally, the Company extends medical insurance schemes to all employees and their dependents, prioritizing their healthcare needs. These initiatives reflect our commitment to fostering a supportive environment that prioritizes the overall wellness of our valued workforce.

The Company embraces an inclusive “open door policy” that encourages all employees, regardless of their position, to engage directly with the Chief Executive Officer and Executive Directors whenever necessary. This approach has been widely embraced by our workforce, resulting in consistently high employee satisfaction levels, as evidenced by our bi-annual employee satisfaction surveys. This strong sense of satisfaction has fostered a deep commitment and motivation among our employees, leading to remarkable achievements for the Company. Additionally, the elimination of traditional hierarchical designations has positively influenced the development of a distinct culture rooted in shared values.

The establishment of a learning academy holds significant importance in fostering the development of staff members. Currently, the state-of-the-art Commercial Credit Academy nears completion, with initial construction phase finalized. Despite its ongoing progress, the Academy has already begun facilitating selected training programs since its inauguration in February 2023. It is our firm belief that this Academy will serve as a pivotal milestone in our organization’s endeavor to nurture employees into effective individuals, consistently striving for growth across all four dimensions: Physical (PQ), Spiritual (SQ), Intelligent (IQ), and Emotional (EQ). By providing a dedicated training center, we aim to empower our workforce with the necessary knowledge, skills, and tools to excel in their respective roles, enhance their professional capabilities, and foster personal growth. Through comprehensive training initiatives, we envision our staff members embracing continual renewal and attaining excellence in all aspects of their lives.

The Company initiated its in-house management trainee program (STF) with the objective of developing and nurturing future leaders of the Company. The process also involves selecting candidates of future designated leaders, from its own staff. The selection process is rigorous and involves recommendation of superiors and senior executive management. The selected candidates are trained in character development and all key aspects of operations, to be equipped to take on future leadership roles, provided they successfully contribute to the extensive training program.

The Company sees a gap in the Sri Lankan context as well as within the Company itself in the absence of female leadership and engagement. The company intends to provide its female employees training and education, empowering them to transcend damaging cultural conditioning and realize their full potential. Also Female employees are recognized and nourished through confidant network which has regular development programs. The main purpose of forming this confidant network is to foster a working environment of mutual respect and dignity, which is safe, comfortable and free of any harassment for any employee (Male and Female).

MANAGING AND ASSESSING EMPLOYEE SATISFACTION

The Company recognizes the numerous benefits that come with having a contented workforce. When employees are satisfied, they tend to be happier and more productive, leading to increased output and improved outcomes for the Company as a whole. With this in mind, the Human Resources department takes proactive steps to foster an optimal work environment for all staff members. Regular employee satisfaction surveys are conducted to gather feedback on job contentment levels, ensuring that any workplace concerns are promptly addressed. This invaluable feedback also enables the Company to gain insights into the diverse motivations of its employees, identify future growth prospects, and devise strategic plans accordingly. By prioritizing employee satisfaction, the Company is well-positioned to enhance productivity, foster a positive work culture, and achieve long-term success.

The Company utilizes two surveys, namely the On-Board Satisfaction Survey and the Employee Satisfaction Survey, to assess employee contentment based on their respective employment categories. The On-Board Satisfaction Survey is specifically designed to gather feedback from newly hired employees who are still in their probationary period. This survey is conducted at the end of the fifth month since their joining and consists of 20 questions that encompass various aspects such as working conditions, relationships with peers and supervisors, company culture, and the learning environment. These surveys serve as effective tools for measuring and understanding employee satisfaction levels, allowing the Company to identify areas of improvement and implement targeted initiatives to enhance employee well-being and engagement.

The General Employee Satisfaction Survey is administered in June and December to gather feedback from permanent employees regarding their perceptions of workplace conditions. The survey comprises a questionnaire consisting of 15 essential questions, allowing employees to express their views and opinions. The completed questionnaires serve as valuable primary survey data for analysis. Additionally, the Company implements a 360 Degree Appraisal system as its performance evaluation mechanism, which contributes to employee satisfaction. This system enables employees to provide feedback on their superiors, peers, and subordinates, fostering a sense of involvement and empowerment. By conducting these surveys and incorporating a comprehensive appraisal system, the Company demonstrates its commitment to understanding and addressing employee concerns, thereby enhancing overall job satisfaction and engagement.

LEARNING AND DEVELOPMENT

The Company recognizes that the growth of its employees is, achieved through its commitment to purpose and Shared Values, relies on continuous learning and development. Throughout the year, a wide range of training programs and workshops on culture development have been conducted across all Company locations. The teachings of the renowned '7 Habits of Highly Effective People' authored by Dr. Stephen Covey, have been a major source of inspiration. Emphasizing fundamental principles and practical experience, these teachings enable employees to adopt a holistic and integrated approach to effectiveness in both their professional and personal lives.

The Company believes that practicing the 7 Habits will lead to the internalization of the Shared Values. To support this, Value Mentors, in collaboration with location heads, conduct monthly Value Hours at each location. These sessions provide staff members with regular opportunities to address any challenges they face in living the Shared Values on a daily basis.

In addition to culture development programs which are conducted to build the character of employees, there are various other training programs conducted to enhance the competencies of employees as well. These programs are being conducted virtually, physically and hybrid methods at present. The main significance of these trainings is that most of the trainers are internal employees of the company. External expertise also taken into training programs in order to expand the knowledge of employees on industry related new knowledge and best practices.

SHARED VALUES

THE LAUNCH OF OUR SHARED VALUES

The launch of Commercial Credit's Shared Values took place during the Value Day event on March 4, 2012, at the BMICH, with the active participation of the entire staff. The event marked a significant milestone in fostering a culture rooted in shared principles. A Value Policy was introduced, accompanied by the unveiling of the Company's trilingual Theme Song, Value Oath, and Value Badge, symbolizing the Company's unwavering dedication to these principles. Since then, continuous efforts have been undertaken to ensure that the Company's unique culture remains deeply ingrained in company's Shared Values.

INSTILLING OUR SHARED VALUES

To foster the adoption of our Shared Values within the Commercial Credit team, including our growing number of new employees, we have implemented a range of programs throughout the year. While some of these programs build upon previous initiatives, we have also introduced several new endeavors that expand the breadth of our training offerings. One such endeavor is the implementation of the Mentor Network. This network was established with the purpose of getting the active involvement from a group of employees who were nominated as "Mentors" to drive the company purpose and to develop the company culture among our employees. This is mainly done through value hour discussion which are conducted at every location/department monthly.

Another initiative is the 360 Degree Value Appraisal System, which has been in place since 2012. Aligned with our Company's Shared Values, this system harmonizes seamlessly with our Purpose of developing leaders who uplift people's lives through simple acts of love. Additionally, it plays a crucial role in cultivating the desired Value-based culture and identifying the esteemed Value Champions who contribute significantly to shaping our desired culture.

Leveraging the Commercial Credit HRIS system, we conduct quarterly evaluations for every member of our organization using the 360 Degree Value Appraisal. As a Value-driven Company, we place greater emphasis on this appraisal process in assessing the growth of individuals.

THEME SONG AND VALUE BADGES

Company Theme Song
https://www.youtube.com/watch?v=Sbs9gPK092I

The trilingual theme Song of the company is played across all Company offices promptly at 8:25 a.m., preceding the start of each working day and during various Commercial Credit events. It is a daily reminder for every employee to embrace the Company's purpose and Shared Values. Furthermore, each employee is encouraged to wear a Value Badge, with the bronze badge serving as the initial level of recognition. As employees consistently demonstrate their commitment to practicing the Shared Values, their bronze badge can be progressively upgraded to silver, gold, and ultimately platinum, signifying the increasing degree of dedication they exhibit. The badge upgrade system serves as a tangible acknowledgment of an employee's ongoing devotion to embodying the Company's purpose and shared values.

VALUE DAY

The Company holds a special event known as the Value Day generally once every two years, designed to honor and recognize employees who have consistently demonstrated the Company's Shared Values in an effective manner. This occasion provides a platform to showcase and appreciate those staff members who have truly embodied the essence of the Shared Values, setting an example for others to emulate. The recognition process involves a meticulous procedure where each employee has the opportunity to nominate their peers for consideration in upgrading their Value Badges. Following the evaluation of the 360 Degree Value Appraisal results and the number of nominations received, deserving individuals are acknowledged for their exceptional contributions by upgrading their Value Badges from bronze to silver, gold, and ultimately platinum. This serves as a testament to their excellence and dedication in upholding the Company's Shared Values.

VALUE POLICY

Commercial Credit is committed to its Shared Values, which are outlined in the Value Policy. This policy serves as a guide for fostering a culture based on these Values, providing employees with the necessary guidelines and procedures. It applies to all employees and activities within the organization, ensuring that the Values are integrated into the performance evaluation process.

VALUE REGISTER

The Value Register serves as a record of exemplary conduct and actions that reflect the Shared Values demonstrated by employees, whether related to work or other aspects of their lives. When a noteworthy action is observed by a team member, it is shared on the Value Register, allowing for recognition and appreciation throughout the Company. Employees anonymously post comments of appreciation about their colleagues, making the Value Register an effective internal social networking platform. Each employee has a Value profile based on the appreciations they receive by their colleagues.

PURPOSEFUL STEPS TOWARDS A GREENER FUTURE

As part of our commitment to environmental sustainability, Commercial Credit and Finance PLC has initiated a tree plantation project in line with the FHA sustainability initiative, aiming to plant 30,000 trees in collaboration with the support of our employees. These trees will be distributed among employees and branches based on their specific requirements, effectively reducing our carbon footprint and contributing to a greener and healthier ecosystem. By embracing this initiative, we also aim to address the environmental impact resulting from the significant number of motor vehicles we lease, further emphasizing our dedication to sustainable practices and environmental responsibility.

In line with our focus on sustainable financing, Commercial Credit PLC plans to introduce lending products for energy-saving, with a particular emphasis on solar solutions. Through this initiative, we aim to promote renewable energy adoption and contribute to a reduction in the overall electricity consumption of the country. Moreover, we are committed to installing solar panels across our branches, reducing our reliance on conventional power sources and further minimizing our ecological footprint while demonstrating our commitment to energy efficiency.

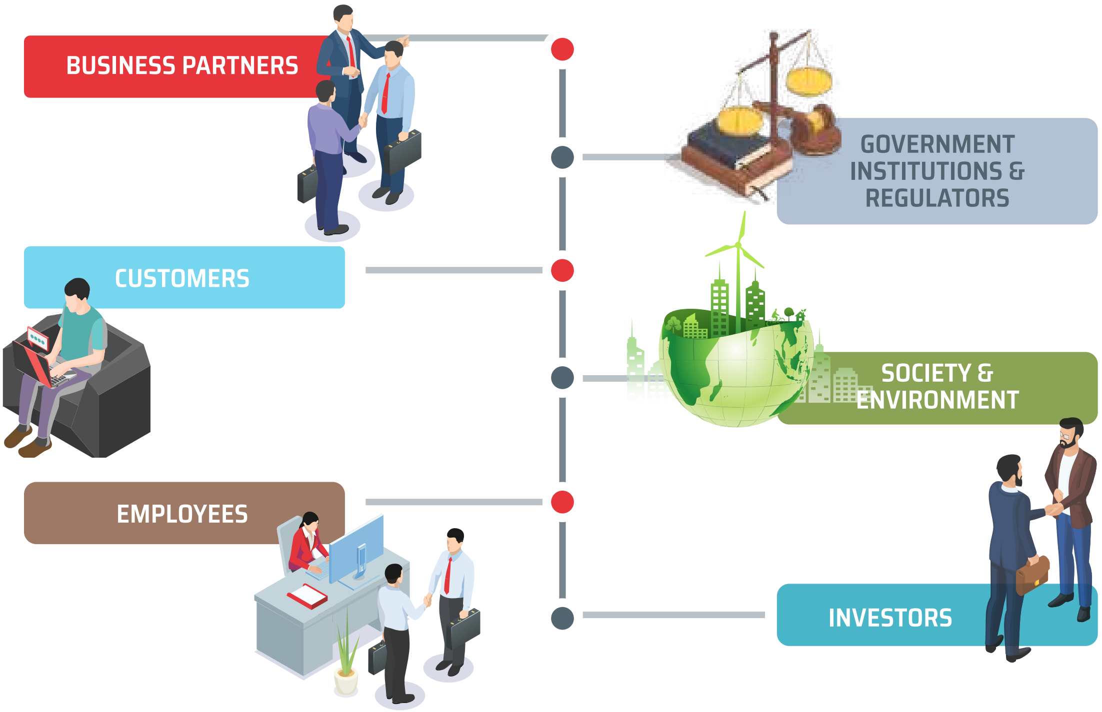
Financial Inclusion

At Commercial Credit PLC, we firmly believe in the power of financial inclusion and its significant impact on sustainable development. As part of our sustainability initiatives, we are conducting a series of value-added training programs designed to enhance the financial literacy and capabilities of our valued microfinance customers. By equipping individuals with the necessary knowledge and skills, we empower them to make informed financial decisions, fostering resilience and long-term economic growth within our communities.

These initiatives represent our commitment to environmental stewardship, energy efficiency, and inclusive economic development. We are dedicated to making a positive and lasting impact on the environment, society, and the financial well-being of our customers.

STAKEHOLDER ENGAGEMENT

Commercial Credit and Finance PLC believes that genuine sustainability requires engaging closely with stakeholders in building mutually beneficial relationships. As a value-driven organisation, the Company has formed valuable relationships with its stakeholders and maintains a routine of checks and balances to ensure these relationships are sustained. Much of our interactions take place in conducting our daily operations, while structured activities are also conducted to bring stakeholders closer. This association helps us gain vital feedback on our products and services in a bid to exceed the expectations of our stakeholders.



BUSINESS PARTNERS

STAKEHOLDER ASPIRATIONS	ENGAGEMENT MECHANISM	FREQUENCY
• Contractual performance	Supplier relationship management	As required
• Future business opportunities	On-site visits and meetings	As required
• Maintaining healthy relationships		
• Timely settlement of dues		
• Ease of working		
• Growth potential		
• Collaboration for new technologies		

GOVERNMENT INSTITUTIONS & REGULATORS

STAKEHOLDER ASPIRATIONS	ENGAGEMENT MECHANISM	FREQUENCY
• Compliance with directives and codes	On-site surveillance	As required
• Microfinance and SME development	Directives and circulars	As required
• Maintaining healthy relationships	Meetings and consultations	As required
	Press releases	As required
	Periodic returns	As required
	Submissions to policymakers	As required

CUSTOMERS

STAKEHOLDER ASPIRATIONS	ENGAGEMENT MECHANISM	FREQUENCY
• Customer security and privacy	Customer visits and meetings	As required
• Service quality	Branch network and call centre	Continuous
• Financial inclusion	Media advertisements	As required
• Affordability of services and convenience	Corporate website	Continuous
• Grievance handling mechanism	Customer workshops	As required
• Financial education and literacy	Sponsorships for social events	As required
• Financial support for revival of business		

SOCIETY & ENVIRONMENT

STAKEHOLDER ASPIRATIONS	ENGAGEMENT MECHANISM	FREQUENCY
• Responsible financing	Media advertising campaigns	As required
• Commitment to community	Press releases, conferences and media briefings	As required
• Financial inclusion and awareness	Informal briefings and communications	As required
• Ethics and business conduct	Public events and gatherings	As required
• Environmental performance	Corporate website	Continous
• Employment opportunities	Sponsorships for social events	As required

EMPLOYEES

STAKEHOLDER ASPIRATIONS	ENGAGEMENT MECHANISM	FREQUENCY
• Performance and reward management	Social events: value day, family day etc	Continuous
• Training and development	360 degree staff appraisal	Quarterly
• Career advancement opportunities	Training programmes	As required
• Work-life balance	Open door policy	Continuous
• Retirement benefit plans	Intranet	Continuous
• Value driven corporate culture	Special staff events	Continuous
• Diversity and inclusion	Employee satisfaction survey	Bi-annually
• Perception of a prosperous future in the Company	Code of conduct and whistle blower policy	Continuous

INVESTORS

STAKEHOLDER ASPIRATIONS	ENGAGEMENT MECHANISM	FREQUENCY
• Financial performance	Annual Reports and Annual General Meetings (AGMs)	Annually
• Governance	Extraordinary General Meetings	As required
• Transparency and disclosure	Interim financial statements	Quarterly
• Business expansion plans	Press conferences and releases	As required
• Risk management	Announcements to CSE	As required
• Sustainable growth	Corporate website	Continuous
	Investor feedback forms	Annually

RISK MANAGEMENT

The volatile economic environment that prevailed during the year warranted the BIRMC to adopt a more robust and forward-looking approach in managing risks.

OVERVIEW

Risk Management underpins the day to-day management of the Company's operations and supports the achievement of The Company's long term strategic objectives. Staying firmly anchored to its core risk principles, the Company has adopted a precautionary approach to ensure Risk Management by anchoring itself to its core risk principles, regulatory requirements as well as best practices and industry trends that emerge both in the local market and the global environment.

In this context, the Company seeks to manage its risk profile carefully in line with the Board approved Risk Appetite Statement that sets out the limits for managing its most significant risks. The Risk Appetite limits play a vital role in the Company's risk strategy together with the Company's Integrated Risk Management framework (IRMF), serve as the foundation for ensuring that all material risks are identified, well understood, accurately measured and proactively managed in order to safeguard the Company's financial strength and reputation as well as retain the public trust in the Company.

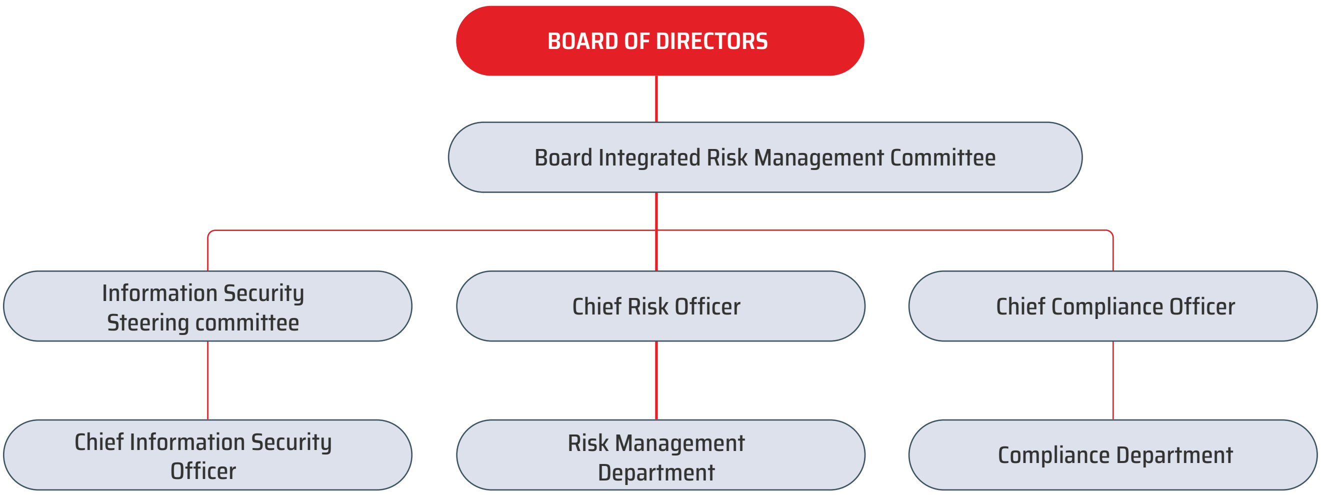
The ability to manage multiple risk factors arising across multiple locations, product categories, asset classes, customer segments and functional departments is one of the key factors that determines the degree of success and sustainability of a financial institution. Since risk management is a responsibility of each and every employee of the company and they need to clearly understand the risks the company is exposed to, Commercial Credit has enhanced its risk management capabilities and insights to facilitate more robust and better risk based decision making processes to ensure that the Company continues to create value to its stakeholders.

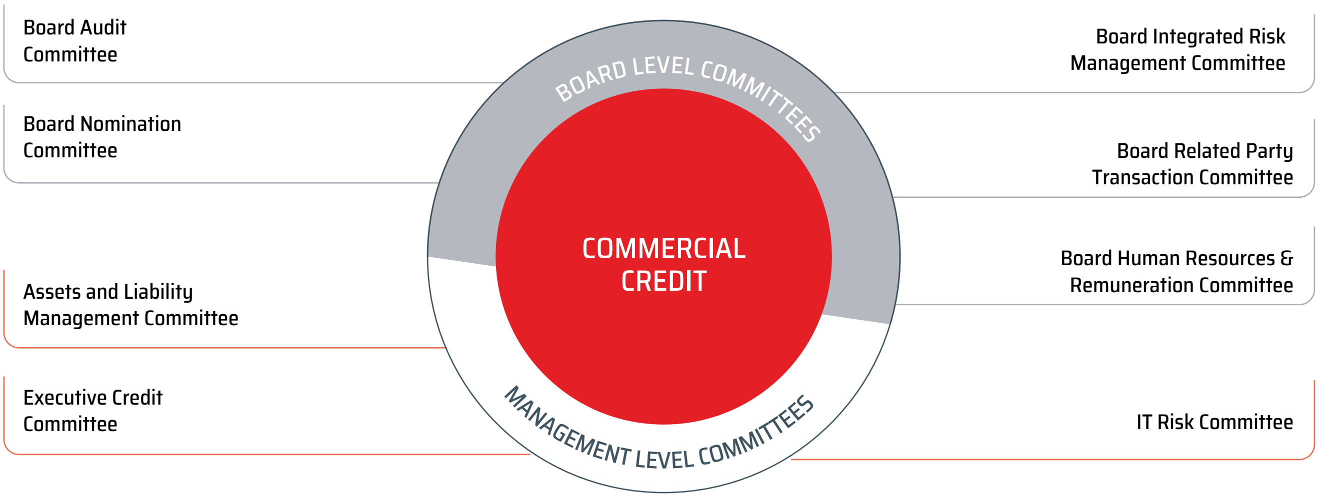
RISK GOVERNANCE STRUCTURE

The overall responsibility for risk governance lies with the Company's Board of Directors. The Board sets the Company's risk strategy and risk appetite boundaries for all key risk categories. As the ultimate authority responsible for risk management, the Board determines guidelines for the management and control of the Company's key risks and for ensuring appropriate risk policies and limits for all important risk areas. Based on the business model and the strategic objectives of the Company, the Board has approved risk policies for various risk areas. These risk policies are subject to review and approval by the Board annually.

The Corporate Management takes proactive measures to execute and monitor the risk mitigants for each activity. The management also inculcate the principles of responsible risk management among employees at all levels. The Company has invested in establishing strong risk management architecture, which includes an independent Risk Management Department, Board-approved risk appetite and risk tolerance levels along with well-defined procedures to support effective management of risk.

Functional Structure of the Integrated Risk Management Framework





Meanwhile, the day to day management of risks is cascaded down to the operational level via the three-lines-of-defense mechanism that reflects the Company's belief that "managing risk is everyone's responsibility"

First Line of Defense	Second Line of Defense	Third Line of Defense
BUSINESS LINES	RISK MANAGEMENT AND CONTROLS	ASSURANCE
Ownership for the day to day management of risk. Ensure that risks accepted are within the Company's risk appetite and risk management policies	Direction for Risk Management and Compliance, facilitating high level of risk awareness throughout the organization. Independent monitorning of the effective implementation of risk Management Framework.	Providing independent and objective assurance on the Risk Management processess and practices in place.
Department heads / Branch Managers	Risk Management Depatment / Compliance Department	Internal Audit / External Audit

As such all business heads and branch managers are deemed the first-line-of-defense and are held accountable for identifying and managing risks and operating within the approved risk policies. The second-line-of defense comprises the Risk Management Department (RMD) and the Compliance Department (CD) headed by independent CRO and CO respectively. The RMD monitors all key risks in line with Board approved appetite boundaries and plays a key role in assisting the Board in its routine risk review process. The RMD performs periodic assessments to determine any shift in the individual risk profiles based on new developments or trends in the macroeconomic environment. More frequent need-based assessments are also often carried out in times of uncertainty. The RMD is also tasked with monitoring new and emerging risks within the Company's risk universe. Due diligence procedures conducted by the Company's internal audit team and external auditors act as the third-line-of-defense in providing independent assurance regarding the overall efficacy of the Company's Integrated risk management framework in meeting its stated objectives.

Business decisions are made in a manner that the safeguarding of stakeholders' interest of the Company and profitability arising from various sources of risk contribute towards our strategic objectives. Underlying systems and processes permit the creation of risk awareness across the entire Company and identify, measure, analyze and evaluate risks. Processes are also in place to develop and implement appropriate response strategies according to the set risk appetite in order to manage such identified risks. As in the case of all activities of the Company, it could be said that the efforts made to develop a culture based on the Shared Values of the Company form a very fundamental aspect of Risk Management at Commercial Credit.

The activities of Commercial Credit's Risk Management system take place at three broad levels as follows:

STRATEGIC LEVEL

At the strategic level, Risk Management functions are performed by the Board of Directors and the Board Integrated Risk Management Committee (BIRMC). Tasks include defining risks, ascertaining risk appetite, formulating strategies and policies for managing risks and establishing adequate systems and controls to ensure that overall risk remains within the risk appetite.

MANAGEMENT LEVEL

At the management level, Risk Management within business areas or across business lines ensures that strategies, policies and

RISK MANAGEMENT

directives approved at the strategic level are operationalized. Development and implementation of underlying procedures, processes and controls are ensured at the management level. Assuring the compliance with laid down policies, procedures and controls, and reviewing the outcome of operations, and measuring and analyzing risk related information are also performed at this level.

OPERATIONAL LEVEL

At the operational level, Risk Management activities are performed by individuals who take risks on Company's behalf, which includes front, middle and back office personnel. They are required to comply

with approved policies, procedures and controls. Operational level personnel give valuable inputs to continuously improve risk related activities undertaken in day-to-day operations.

RISK MANAGEMENT PROCESS

A comprehensive Risk Management process has been developed and is continuously reviewed by the Board Integrated Risk Management Committee (BIRMC) together with the Operational Management.

The Company has established risk subcommittees in the areas of credit and Information Technology in addition to the Assets and Liabilities Committee (ALCO). The effectiveness of these sub-committees are assessed by the BIRMC annually.

The risk sub-committees comprise of selected representatives from Operational Management, Middle Management and Operational Staff from respective disciplines. These sub-committees meet regularly and are responsible for identifying and analyzing risks. The identified risks are taken up for discussion at risk sub-committee meetings where issues are discussed in detail. The minutes of the sub-committee meetings are submitted for approval of the BIRMC and the ALCO meeting minutes are circulated to the board through BIRMC. The decisions and directives of the BIRMC are communicated to the Operational Management through sub-committees for operationalization of such decisions and directives. The BIRMC meets on a regular basis to review and discuss various reports related to Risk Management presented to the Committee by the Management and the findings of the risk sub-committees.

all risks and the appropriate risk treatment identified and actioned.

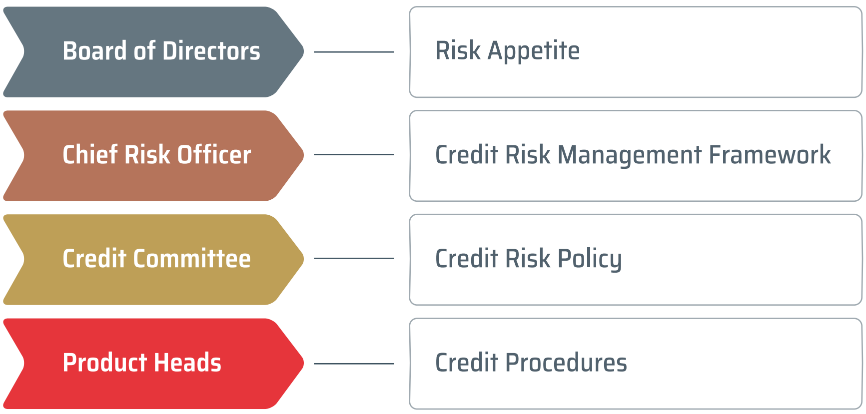
TYPES OF RISKS

In pursuing the Company's desired strategic objectives, Commercial Credit is exposed to several risks which have been categorized as follows.

CREDIT RISK

Credit risk is the risk of financial loss if a customer or counter party fails to honour its financial or contractual obligations to the company. The Company's credit risk arises mainly from various accommodations granted and could be identified as the most significant risk faced by the Company. The credit risk management objective is to minimize credit risk while ensuring optimal risk rewards pay off for the financial institution and maximize the return and maintain the quality of the portfolio by minimizing the non-performing loans and probable losses.

CREDIT RISK MANAGEMENT STRUCTURE AND APPROACH



Risks related to areas under each sub-committee have been identified and Risk Registers have been developed and maintained. Each identified risk has been categorized based on the probability of occurrence and expected impact. The impact has been categorized as critical, high, medium and low. The frequency has been categorized as certain, likely, possible and remote. Control activities are developed for

The Credit Risk Management Framework deals with the credit risk management of the Company and the credit policy and credit procedures are used as the tools for implementing the credit risk management framework. The Credit Policy and credit procedures play a central role in managing daily business activities. The policy is reviewed at least once in two years and approved by the Board of Directors, ensuring consistency with the Company's business strategy. The Executive Credit committee meetings drive policy decisions and implementation plans. Credit is required to be granted according to the approved policies and procedures of the Company. Special attention is given to Credit Risk Management in terms of analyzing customer credit worthiness through comprehensive customer investigations before and after credit facilities are provided. Repayment of accommodations granted is closely monitored by those responsible for granting various facilities as well as those directly responsible for recovery activities. Indicators have been developed to measure risks associated with credit which are reviewed on a continuous basis for the entire organization as well as for each product and operational location.

The credit facility origination process comprises of initial screening and credit appraisal. The evaluation focuses on the borrower's ability to meet his/her obligations in a timely manner. Efforts are made to ensure that consistent standards are maintained in credit approval. Collateral and guarantees form an important part of the credit risk mitigation process.

To safeguard the Company against possible losses, problems that may arise in granting credit facilities need to be identified early. The Credit Risk sub-committee measures and tracks the status of the credit portfolio. Credit reports need to be prepared monthly without failing to review high level credit portfolio concentration and assess performance of the facilities granted.

Default loans are managed by the Recovery and Credit Division of the company. This unit is responsible for all aspects of an overdue facility, restructuring of the credit facility, scrutiny of legal documents and liaising with the customer until all recovery matters are finalized. Regular meetings are held in order to ensure the smooth functioning of the recoveries function.

Credit Quality Parameters such as Credit quality related ratios, Product-wise NPA, Provision covers, and as a percentage of the total portfolio are monitored.

Lending Parameters such as Single borrower exposure (individual), Sector-wise concentration, Product-wise concentration, collateral wise concentration, geographical concentration, and related party exposure limits were monitored.

MARKET RISK

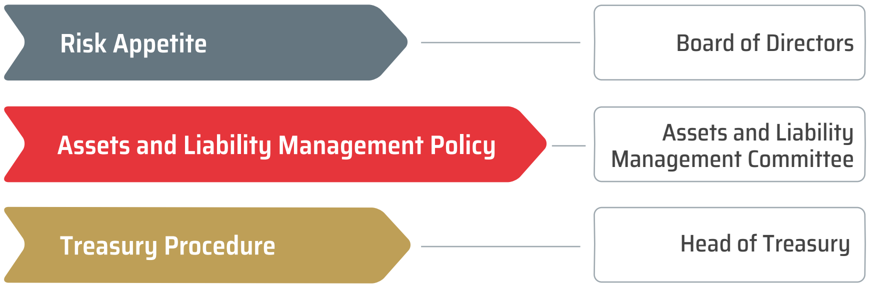
Market risk is the risk arising from fluctuations in market variables such as interest rates, exchange rates, vehicle prices and gold prices. The market risk is addressed through Liquidity risk management and interest rate risk management. This is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in the market variables. As the Company's operations involve granting accommodations, accepting deposits and obtaining funding facilities, the movements in interest rates constitute the most important market risk for the Company. The company's market risk management is operationalized through ALCO Policy, Treasury procedures and Board-approved Risk appetite limits.

INTEREST RATE RISK

Interest rate risk exists in an interest-bearing asset, such as lending and borrowings, due to the possibility of a change in the interest rates. Interest rate risk is an integral part of finance business, and may even be a source of profit.

INTEREST RISK MANAGEMENT APPROACH

The Company encounter interest rate risk in several ways, including repricing risk, and yield curve risk. Interest rate risk parameters such as WACC, Incremental Cost of funds, and maturity profiles of assets and liabilities are monitored. Further, the Company maintains an adequate Net Interest Margin (NIM) so that increases in interest expenses can be absorbed. Although the mismatch in assets and liabilities in terms of maturity is widely prevalent in the industry, in view of the composition of the portfolio of the Company, this mismatch has been mitigated to a significant extent. Gold prices are monitored continuously and LTV rates for pawning and gold loan advances are revised on a regular basis taking the tenure of each product into account.



LIQUIDITY RISK

Liquidity risk is the risk of being able to meet liquidity obligations at increased cost or, ultimately, being unable to meet obligations as they fall due. In the case of the Company, this relates mainly to the ability to meet repayment of deposits obtained from the public as they fall due and the settlement of installments on bank and other borrowings.

LIQUIDITY RISK MANAGEMENT APPROACH

Special attention is given on the liquidity of the Company as it provides critical defense against this and several other risks such as reputation, compliance, and financial risks. The company maintains a conservative outlook towards managing Liquidity Risk, which is governed by the Board approved ALCO Policy, investment Policy

RISK MANAGEMENT

and appropriate Risk Appetite Limits. The company works towards ensuring adequate resources are maintained at all times to meet obligations and prevent potential liquidity shocks. From the governance perspective, the responsibility for managing the company's Liquidity risk lies with ALCO while clearly defined responsibilities ensure its management at operational level.

The treasury department is responsible for maintaining the Liquid Asset Ratio above the Central Bank stipulated levels, while the ALCO is responsible for monitoring the liquid asset ratio. The assets and liability mismatch of the company is monitored on a monthly basis at the ALCO and reported to the BIRMC if there is any deviation from the Board approved risk appetite limits.

The Company's projected liquidity requirements are assessed on a continuous basis to ensure that they can be met as and when such requirements arise. The Company also strives to ensure that the liquidity ratios required to be maintained by the applicable Central Bank regulations are complied with the requirements of Finance Companies (Liquid Assets) Direction No. 04 of 2013.

OPERATIONAL RISK

Operational risk is the risk of losses or failed internal processes, people and systems, or from external events such as natural disasters, social or political events. It is inherent in all financial products and processes and the company's objective is to control it in a cost-effective manner. Operational risk includes legal risk but excludes strategic and reputational risk.

OPERATIONAL RISK MANAGEMENT APPROACH

The Company manages operational risk through policies, risk assessment, risk mitigation including insurance coverage, managing technology risk, a comprehensive Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP), creating a culture of risk awareness across the company, stress testing and monitoring and reporting. The degree of compliance of staff with such operational policies, processes and controls is regularly reviewed.

Awareness building and comprehensive training sessions are undertaken to educate staff on the significance of the compliance with operational policies, processes and controls. In this context, the Value driven culture which is rigorously promoted across all levels of Commercial Credit in ensuring that employees are self-disciplined, plays a key role. Internal Frauds as an operational risk parameter is monitored.

REPUTATIONAL RISK

Reputational risk is the risk of adverse impact on earnings, assets and liabilities or brand value arising from negative stakeholder perception of the company's business practices, activities and financial position. The company recognizes that reputational risk is driven by a wide range of other business risks relating to the "conduct" of the company that must all be actively managed. In addition, the increase of social media has widened the stakeholder base and expanded the sources of reputational risk.

Further, with the emergence of the Company as a major player among NBFIs, it is critical that due attention is given to safeguard the high reputation the Company has earned among all stakeholders. In today's highly interconnected environment with the capability to communicate rapidly, an excellent reputation carefully built over a long period could be at risk instantly.

REPUTATIONAL RISK MANAGEMENT APPROACH

Accordingly, reputational risk is broadly managed through the systems and controls adopted for all other risk types such as credit, market, operational risk, etc., which are underpinned by communication policy and ethics framework that prohibit unethical behavior and promote employees to live a principle-based life. Further, promotion of the value driven culture within the organization and customer confidence building initiatives employed, enhance the reputation of the Company. The Company pays close attention to ensure that there is no reputation-reality gap for any stakeholder group of Commercial Credit.

INFORMATION TECHNOLOGY (IT) RISK

IT risk is the business risk associated with use, ownership, operation, involvement, influence and adoption of IT within an organization. It is a major component of operational risk comprising IT-related events such as system interruptions/ failures, errors, frauds through system manipulations, cyberattacks, obsolescence in applications, falling behind competitors concerning the technology, etc., that could potentially affect the whole business. Given the uncertainty with regard to frequency and magnitude, managing IT risk poses challenges. Hence, the company has accorded top priority to addressing IT risk, giving more focus to cyber security strategies and continually investing on improving the cyber security capabilities. With the growing needs of the business, the focus on managing IT risks is intensified in recent years with an ever-increasing emphasis on strengthening IT governance to align with CBSL directives as well as globally accepted best practices.

INFORMATION TECHNOLOGY RISK MANAGEMENT APPROACH

.The Company has strengthened the governance of information security and Information Security risk management, by establishing an Information security unit which is headed by the Chief Information Security Officer (CISO) and an IT Risk Committee which reports to the BIRMC and is responsible for managing risks relating to information security. The IS function is supported by an out-sourced Security Operation Center which monitors systems on a 24x7 basis. The Information Security Risk Management Program focuses on Identifying risks and addressing all levels of IT risk, conducting vulnerability assessments for all critical systems, ensuring strict compliance with all regulations and best practices and raising awareness among employees and customers.

A comprehensive Disaster Recovery Plan is in place in preparation of contingent risk incidents. As a result of our continuous efforts in managing ICT risk, minimal system disruptions, with no significant impact on operations, were experienced. Information Security/ Information Technology Governance Framework provide the framework to the Company.

STRATEGIC RISK

Strategic risk is related to strategic decisions and may manifest in the company not being able to keep up with the evolving market dynamics, resulting in loss of market share and failure to achieve strategic goals. Corporate planning and budgeting process and critical evaluation of their alignment with the company's vision, mission and the risk appetite facilitate management of strategic risk.

STRATEGIC RISK MANAGEMENT APPROACH

The primary means of managing strategic risk is through a Board-approved Strategic Plan prepared annually to outline the future direction of the company through a set of long-term goals, objectives and priorities along with the actions needed to achieve them in line with the company's purpose on a three year rolling basis. It is the key document used by the leadership to prioritize the allocation of resources, to strengthen the company's competitive position.

COMPLIANCE AND REGULATORY RISK

Compliance and regulatory risk refers to the potential risk to the company resulting from noncompliance with applicable laws, rules and regulations and codes of conduct and could result in regulatory fines, financial losses, and disruptions to business activities and reputational damage.

COMPLIANCE AND REGULATORY RISK MANAGEMENT APPROACH

A compliance function reporting directly to the Board of Directors is in place to assess the company's compliance with external and internal regulations on an ongoing basis. The company's culture and the shared values too play a key role in managing this risk.

RISK APPETITE

Risk Appetite is defined as the quantum of risk the company is willing to assume in different areas of business in achieving its strategic objectives and ensuring the stringent maintenance of the desired risk profile. The Risk Appetite framework and Risk Tolerance limits have been defined by the Board in consultation with the Senior Management of the Commercial Credit in line with the Commercial Credit's overall business strategy, providing clear direction to the business units for ongoing operations and risk management. The Risk Appetite framework and Risk Tolerance limits are reviewed and adjusted by the Board when required, based on developments in the operating environment. In the event the risk appetite threshold has been breached, risk management and business controls are implemented to bring the exposure level back within the accepted range. Risk appetite, therefore, translates into operational measures such as limits or qualitative checkpoints for the dimensions of capital, earnings volatility and concentration risk etc. In order to effectively implement Risk appetite, Commercial Credit has defined quantitative indicators (e.g., capital adequacy level and risk limits) or qualitatively embedded same in the policies and procedures.

SHARED VALUES

THINK WIN-WIN

What do we live for, if it is not to make life less difficult for each other? - George Eliot

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

Corporate Governance is the system of rules, practices and processes by which a Company is managed. Good Corporate Governance helps in driving the Company towards performance excellence while complying with external and internal regulations, guidelines and ethical standards. Sound internal controls and procedures play an integral part in maintaining high standards of transparency, disclosure, financial controls and accountability in good Corporate Governance.

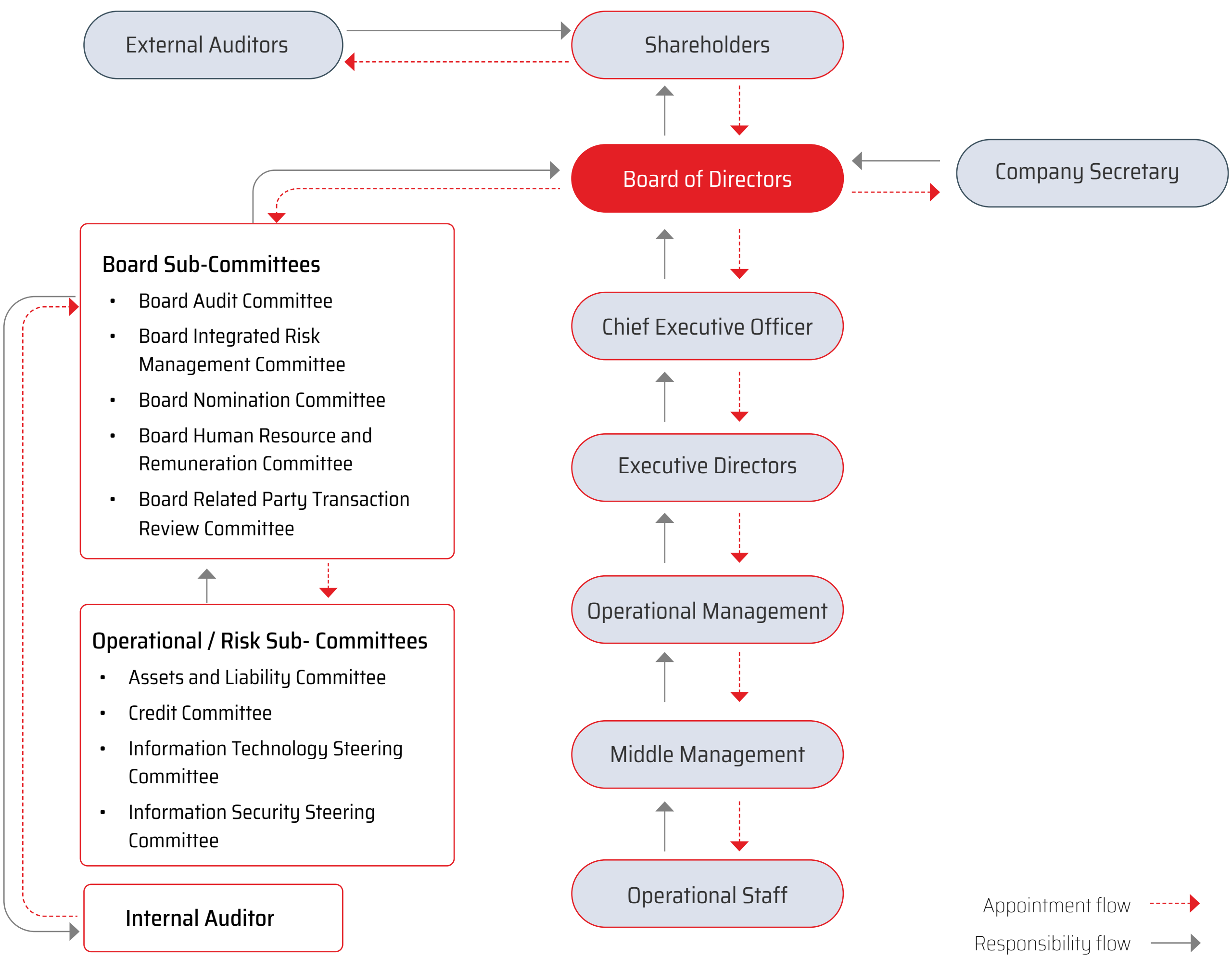
The Company is committed to high standards of Corporate Governance and we are constantly seeking ways of improving our Governance practices. We believe that the emphasis the Company consistently instills among all members of the Commercial Credit team of the Company's Shared Values play a critical role in this regard. The systems are designed and developed to influence the behavior of everyone assigned with the responsibility of managing the affairs of the Company ensuring that the interests of all stake holders are effectively served on a consistent basis.

The Company's Corporate Governance model has been built and enhanced based on the following requirements and guidelines,

1. Companies Act No. 07 of 2007
2. Finance Business Act No. 42 of 2011 and Directions/Guidelines issued by the Monetary Board of the Central Bank (CBSL) of Sri Lanka including Finance Business Act Directions No. 5 of 2021, Corporate Governance
3. Listing rules of Colombo Stock Exchange
4. Securities and Exchange Commission of Sri Lanka Act No. 19 of 2021
5. All other applicable regulations

GOVERNANCE STRUCTURE OF THE COMPANY

The governance structure of the Company comprises of several governance bodies with well-defined roles and responsibilities, accountability and clear reporting lines.



BOARD OF DIRECTORS

The Board of Directors as the highest decision making authority of the Company jointly provides strategic leadership and direction to the Company and ensures that strategies are formulated and implemented so that consistent progress is made by the Company towards its Purpose, Vision and Mission in keeping with our Shared Values.

The Board is led by the Chairman who is a Non-Executive Director and the Board has appointed one of the Independent directors as a senior director as required by the regulator. The Board of Directors of the Company comprised of ten members as at the end of the financial year under review. The Company's Board of Directors consists of professionals in varied fields who collectively possess a wealth of knowledge and experience and are thus eminently suitable to provide the leadership and direction required.

The Board has appointed the CEO, who is the apex executive of the organization. The Board has identified other KRPs (Key Responsible Persons) who are in a position to influence policy, direct activities and exercise control over the business activities. The Board maintains appropriate oversight over these KRPs and meets them as required to discuss the performance and issues related to their areas of operation. The Board has developed a succession plan for the identified KRPs to ensure the minimum disruption to operations.

The Board has adopted a scheme of self-assessment to be undertaken by each director annually on individual performance, of its Board as a whole and that of its committee to improve the Boards effectiveness and that of its Committees. Further, Non-executive directors including senior director assess the Chairperson's performance. The evaluations are conducted annually in line with good Corporate Governance practices. The Board discusses the results of self-evaluation to identify weaknesses and improve its practices.

The Board meets approximately once a month or as the need arises to discuss any prevailing issues and to take appropriate action as required. Sixteen (16) Board meetings were held during the financial year under review, including two meetings of the Non-Executive Directors in the absence of the Executive Directors. The Board of Directors through their regular meetings and those of Board Sub-Committees reviews the performance of the Company in the interests of all stakeholders. The financial performance, compliance with rules and regulations and risk management receive close attention of the Board. The financial budget and other plans and indicators together with related resource requirements are reviewed and approved by the Board for the ensuing financial period. In reviewing the performance of the Company, the Board meets the Executive Management as required.

BOARD SUB-COMMITTEES

Towards strengthening Board oversight and governance, the Board has delegated authority to five Board Sub-Committees, namely, Board Audit Committee, Board Integrated Risk Management Committee, Board Nomination Committee, Board Human Resource and Remuneration Committee and Board Related Party Transaction Review Committee.

These Committees are made up of members of the Board and were constituted as required by the Listing Rules of the CSE and the related directives of the CBSL. The reports of these individual Committees are given elsewhere in this annual report.

These Committees deal with and decide on certain specific subjects and specialized matters and make appropriate recommendations to the Board. These Committees have been constituted with Board approved terms of reference and held regular meetings. The minutes of the proceedings are maintained by the secretary to the Committee and reported to the Board.

The composition of the Board during the period under review is set out below together with a record of the attendance at Board meetings and Board Sub-Committee meetings.

CORPORATE GOVERNANCE

	Director / Category	Directorship Status	Board	Audit Committee N1	Intergraded Risk Management Committee N1	Related Party Transaction Review Committee N1	Human Resource and Remuneration Committee N1	Nomination Committee N1
			Attended / Eligible	Attended / Eligible	Attended / Eligible	Attended / Eligible	Attended / Eligible	Attended / Eligible
1	Mr. G.B. Egodage (Chairperon w.e.f. 17th November 2022)	Non Executive/ Non-Independent	16/16*	15/15**	13/13	3/3	2/2	7/7
2	Mr. L.S. Wickremasinghe (Senior Director w.e.f. 17th November 2022)	Non Executive/ Independent/ Senior Director	16/16*	15/15**	13/13	4/4	N/A	7/7
3	Mr. R.S. Egodage	Executive	14/14	N/A	3/3	N/A	N/A	2/2
4	Ms. G.R. Egodage	Executive	14/14	N/A	N/A	N/A	N/A	N/A
5	Mr. P.S.R. Casie Chitty	Executive	14/14	N/A	3/3	1/1	N/A	N/A
6	Mr. E.D.P. Soosaipillai (Chairperson, resigned w.e.f. 01st November 2022)	Non Executive/ Independent	9/9*	N/A	N/A	N/A	3/3	4/4
7	Mr. K.D. Vander Weele (Resigned w.e.f. 31st December 2022)	Non Executive/ Non-Independent	11/13*	N/A	N/A	N/A	N/A	N/A
8	Ms. T.M.L. Paktsun	Non Executive/ Independent	14/16*	15/15**	13/13	4/4	4/4	3/3
9	Dr. R. Saravanamuttu (Resigned w.e.f. 12th November 2022)	Non Executive/ Independent	9/9*	N/A	N/A	N/A	3/3	N/A
10	Ms. G.A.M. Edwards	Non Executive/ Independent	16/16*	N/A	13/13	N/A	1/1	N/A
11	Mr. D. Malfar (Appointed w.e.f. 01st July 2022)	Non Executive/ Non-Independent	13/13*	N/A	N/A	N/A	N/A	N/A
12	Mr. F. Solbani (Appointed w.e.f. 01st January 2023)	Non Executive/ Non-Independent	2/3*	N/A	N/A	N/A	N/A	N/A
13	Mr. W. D. Barnabas (Appointed w.e.f. 01st February 2023)	Non Executive/ Independent	2/2*	N/A	N/A	N/A	N/A	N/A

* Includes two meetings of the Non-Executive Directors in the absence of the Executive Directors.

** Includes two meetings with the External Auditors in the absence of the Executive Directors and Management

N1 The company reconstituted the Board subcommittees w.e.f. 1st July 2022 to be in compliance with the Direction no. 05 of 2021

OPERATIONAL AND RISK SUB-COMMITTEES

In order to facilitate the implementation of the policies and decisions made by the Board and the Executive Management, regular meetings are held among the operational management, functional heads and heads of the various branches of the Company. These meetings focus on achievement of operational targets, resource requirements and, underlying processes and risks. The Assets and Liabilities Committee (ALCO) and other Risk Sub-Committees covering the areas of Information Technology, Information security and Credit, have been formed with the intention of identifying and reviewing the related risk aspects of the operations of the Company and actions required to deal with such risks. These Sub- Committees are represented by risk management and operational personnel that meet regularly. Matters discussed and decisions made are communicated to the Board Integrated Risk Management Committee (BIRMC).

COMPANY SECRETARIES

The Board has appointed the Corporate Services (Private) Limited as the company secretary. The Company Secretaries play a key role in compliance matters by ensuring that the Company complies with the requirements of the Companies Act No. 07 of 2007, the Rules of the CSE and other regulatory bodies. The Secretaries also ensure that Board procedures are followed and information is provided to shareholders on a timely basis. The appointment and removal of the Company Secretary is a matter for the Board.

COMPLIANCE WITH LEGAL REQUIREMENTS

All Directors have access to the advice and services of the Company Secretaries as well as to the financial information of the Company and to external consultants at the expense of the Company if required. The

Directors make every endeavor to ensure that the Company complies with applicable laws and regulations. The Company has appointed a Compliance Officer to strengthen the compliance with regulatory and statutory requirements governing the operation of the Company.

HIGHLIGHTS FOR 2022/23

1. **Directors' Appointment/ Re-designation / Re-appointments**

- Mr. R.S. Egodage , Executive Director of the Company who was first appointed to the Board on 15 March 2011, was re-elected at the Annual General Meeting held on 09 September 2022.
- Ms. G.R. Egodage, Executive Director of the Company who was first appointed to the Board on 26 December 2009, was re-elected at the Annual General Meeting held on 09 September 2022.
- Ms. T.M.L. Paktsun , Independent Non-Executive Director of the Company who was first appointed to the Board on 13 February 2020, was re-elected at the Annual General Meeting held on 09 September 2022.
- Mr. G.B. Egodage, Non-Executive Director of the Company who was first appointed to the Board on 01 October 2021, was re-designated as Chairperson of the Board with effect from 17 November 2022
- Mr. L.L.S. Wickremasinghe , Independent Non-Executive Director of the Company who was first appointed to the Board on 26 June 2019, was re-designated as Senior Director of the Board with effect from 17 November 2022
- Mr. D.E. Malfar appointed as a Non-Executive Director of the Company with effect from 01 July 2022
- Mr. F. A. P. L. Solbani appointed as a Non-Executive Director of the Company with effect from 01 January 2023
- Mr. W. D. Barnabas appointed as an Independent Non-Executive Director of the Company with effect from 01 February 2023

2. **Director Retirement / Resignation**

- Mr. E. D. P. Soosaipillai , Independent Non-Executive Director / former Chairperson of the Company resigned with effect from 01 November 2022
- Dr. R. Saravanamuttu , Independent Non-Executive Director of the Company retired with effect from 12 November 2022
- Mr. K. Vander Weele , Non-Executive Director of the Company resigned with effect from 31 December 2022

3. **Re-appointment of Auditors**

- Messrs. Ernst & Young, Chartered Accountants were re-appointed as the Auditors of the company at the AGM held on 09 September 2022

4. **Re-appointment of Messrs. Ernst & Young, Chartered Accountants for assessment of Corporate Governance and Compliance**

- The Company engaged the services of Messrs. Ernst & Young, Chartered Accountants to seek their assessment of the Company's compliance with the requirements of the Corporate Governance Direction issued by the CBSL.

5. **Re-appointment of Messrs. Ernst & Young, Chartered Accountants for certification on the process adapted by the Directors on the system of Internal Controls over Financial Reporting**

- The Company also engaged the services of Messrs. Ernst & Young, Chartered Accountants to seek an assurance on the process adopted by the Directors on the system of internal control over financial reporting.

COMPLIANCE WITH THE FINANCE BUSINESS ACT DIRECTIONS NO.05 OF 2021 ON CORPORATE GOVERNANCE ISSUED BY THE CENTRAL BANK OF SRI LANKA FOR LICENSED FINANCE COMPANIES.

Section	Direction	Status of Compliance	Reference to Annual Report
1	**OVERALL RESPONSIBILITIES OF THE BOARD**		
1.1	The Board shall have overall responsibility and accountability for the Finance Company (FC), by setting up the strategic direction, governance framework, establishing corporate culture and ensuring compliance with regulatory requirements.	The Board of Directors (Board) provides strategic leadership and direction to the Company, ensuring that strategies are formulated and implemented to consistently advance the Company towards its Purpose, Vision, and Mission, in accordance with our Shared Values. Furthermore, the Board has established a governance framework and ensures compliance with regulatory requirements.	
1.2	**Business Strategy and Governance Framework**		
	a) Approving and overseeing the implementation of the FC's overall business strategy with measurable goals for next three years and update it annually in view of the developments in the business environment.	Overall business strategy with measurable goals for next three financial years (2023/24 – 2025/26) developed and approved by the Board of Directors on 31.03.2023.	

Section	Direction	Status of Compliance	Reference to Annual Report
	b) Approving and implementing FC's governance framework commensurate with the FC's size, complexity, business strategy and regulatory requirements.	The required policies and procedures for the Governance framework are in place.	
	c) Assessing the effectiveness of its governance framework periodically	The effectiveness of the governance policies is monitored by the Internal Audit Department, which reports to the Board Audit Committee through their routine audits.	
	d) Appointing the Chairperson and the Chief Executive Officer (CEO) and define the roles and responsibilities.	The Chairman and the CEO are appointed by the Board, and their functions and responsibilities are defined and approved by the Board of Directors.	
1.3	**Corporate Culture and Values**		
	a) Ensuring that there is a sound corporate culture within the FC, which reinforces ethical, prudent and professional behavior.	The company maintains a value-based, sound corporate culture that reinforces ethical, prudent, and professional behavior. The underlying component that has attributed to the company's continuous success through the years is the company's shared values and unique principle-based culture.	
	b) Playing a lead role in establishing the FC's corporate culture and values, including developing a code of conduct and managing conflicts of interest.	The Board plays a leading role in establishing the corporate culture and values. They have adopted an ethical framework and policy to effectively manage conflicts of interest.	
	c) Promoting sustainable finance through appropriate environmental, social and governance considerations in the FC's business strategies.	The Board approved sustainable finance policy is in place. The strategic plan of the company also includes the integration of sustainable development goals.	
	d) Approving the policy of communication with all stakeholders, including depositors, shareholders, borrowers and other creditors, in the view of projecting a balanced view of the FC's performance, position and prospects in public and regulators.	The Board is dedicated to maintain effective communication for the best interest of all stakeholders of the company. Further the Board has adopted policy on communication in line with the regulatory requirements.	
1.4	**Risk Appetite, Risk Management and Internal Controls**		
	a) Establishing and reviewing the Risk Appetite Statement (RAS) in line with FC's business strategy and governance framework.	The Board approved Risk Appetite Statement (RAS) is in place that is in line with the Company's business strategy and governance framework.	
	b) Ensuring the implementation of appropriate systems and controls to identify, mitigate and manage risks prudently.	The Board of Directors, through the Board Integrated Risk Management Committee (BIRMC) has adopted processes to identify, mitigate and manage risk pertaining to credit, market, operational, and other residual risks of the company.	
	c) Adopting and reviewing the adequacy and the effectiveness of the FC's internal control systems and management information systems periodically.	The Board of Directors, through the Board Audit Committee (BAC) has adopted and reviewed the adequacy and the effectiveness of the company's internal control systems and management information systems (MIS).	
	d) Approving and overseeing business continuity and disaster recovery plan for the FC to ensure stability, financial strength, and preserve critical operations and services under unforeseen circumstances.	The Board approved business continuity and disaster recovery plan is in place to ensure stability, financial strength, and preserve critical operations and services under unforeseen circumstances.	

Section	Direction	Status of Compliance	Reference to Annual Report
1.5	**Board Commitment and Competency**		
	a) All members of the Board shall devote sufficient time on dealing with the matters relating to affairs of the FC.	The Board has devoted sufficient time on dealing with the matters relating to affairs of the company by attending monthly Board meetings and other sub-committee meetings. Please refer to the record of the attendance at Board meetings and Board Sub-Committee meetings.	Refer Page 50
	b) All members of the Board shall possess necessary qualifications, adequate skills, knowledge, and experience.	All members of the Board possess proven track records, necessary skills, knowledge, and experience.	Refer Pages 16-19
	c) The Board shall regularly review and agree the training and development needs of all the members.	The Board has recognized the need for continuous training and actively participates in professional development to enhance their capabilities in carrying out their duties as Directors. Furthermore, the Board has adopted the policy on "Composition, Independence, and Capacity Building of the Board of Directors."	
	d) The Board shall adopt a scheme of self-assessment to be undertaken by each director annually on individual performance, of its Board as a whole and that of its committees and maintain records of such assessments.	A procedure is in place for self-assessments to be undertaken annually by each Director, as well as by the Board as a whole and its committees. The summary of assessment were discussed at the Board and the records of these assessments are maintained by the Company Secretary.	
	e) The Board shall resolve to obtain external independent professional advice to the Board to discharge duties to the FC.	The Board approved procedure in seeking independent professional advice is in place.	
1.6	**Oversight of Senior Management**		
	a) Identifying and designating senior management, who are in a position to significantly influence policy, direct activities and exercise control over business operations and risk management.	The Board of Directors has identified and designated personnel who hold significant influence over policy, direct activities, and exercise control over business activities as Key Responsible Persons (KRPs) in line with the directives of the Central Bank of Sri Lanka (CBSL).	
	b) Defining the areas of authority and key responsibilities for the senior management.	The company has approved areas of key responsibilities and has defined specific areas of key responsibilities for management KRPs.	
	c) Ensuring the senior management possess the necessary qualifications, skills, experience and knowledge to achieve the FC's strategic objectives.	The Board has ensured that management KRPs possess the necessary qualifications, skills, experience, and knowledge to effectively perform their job duties and contribute to the achievement of the company's strategic objectives. Further Management KRPs will go through the Board Nomination Committee recommendation , Board approval and fit & proper assessment of CBSL.	
	d) Ensuring there is an appropriate oversight of the affairs of the FC by senior management.	The Board has ensured that the management KRPs are providing appropriate oversight of the company's affairs. Additionally, the KRPs of management make regular presentations to the Board and its sub-committees to ensure better management and effective performance of the company.	
	e) Ensuring the FC has an appropriate succession plan for senior management.	The Board approved succession plan for the management of KRPs is in place.	

CORPORATE GOVERNANCE

Section	Direction	Status of Compliance	Reference to Annual Report
	f) Meeting regularly with the senior management to review policies, establish lines of communication and monitor progress towards strategic objectives.	The management KRPs attend Board meetings and its subcommittee meetings on invitation to review policies, establish lines of communication and monitor progress towards strategic objectives	
1.7	**Adherence to the Existing Legal Framework**		
	a) Ensuring that the FC does not act in a manner that is detrimental to the interests of and obligations to, depositors, shareholders and other stakeholders.	The Board has adopted a governance framework in line with regulatory requirements to ensure that the company does not engage in any actions that are detrimental to any of its stakeholders.	
	b) Adherence to the regulatory environment and ensuring compliance with relevant laws, regulations, directions and ethical standards.	The company adheres to all applicable regulatory requirements, including directives issued by the Central Bank of Sri Lanka (CBSL) and the Colombo Stock Exchange (CSE). Furthermore, the company has adopted an ethical framework that applies to all employees, ensuring that the company maintains the highest ethical standards.	
	c) Acting with due care and prudence, and with integrity and be aware of potential civil and criminal liabilities that may arise from their failure to discharge the duties diligently.	The Board is fully aware of the potential civil and criminal liabilities that may arise from their failure to diligently discharge their duties. Furthermore, the company has obtained Directors & Officers liability insurance cover to mitigate civil liabilities.	
2.	**GOVERNANCE FRAMEWORK**		
2.1	**Board shall develop and implement a governance framework in line with these directions and including but not limited to the following.**		
	a) Role and responsibilities of the Board	Policy on responsibility of the Board of Directors is in place.	
	b) Matters assigned for the Board.	Policy on matters reserved for the Board of Directors is in place.	
	c) Delegation of authority.	The Board approved delegation of authority is in place.	
	d) Composition of the Board.	Policy on composition, independence and capacity building of Board of Directors is in place.	
	e) The Board's independence.	Policy on composition, independence and capacity building of Board of Directors is in place.	
	f) The nomination, election and appointment of directors and appointment of senior management.	Policy on the nomination, election, appointment of Directors and other key responsible persons is in place.	
	g) The management of conflicts of interests	Policy on conflict of interest is in place.	
	h) Access to information and obtaining independent advice.	Procedure for seeking independent professional advice is in place	
	i) Capacity building of Board members.	Policy on composition, independence and capacity building of Board of Directors is in place.	
	j) The Board's performance evaluation.	The Board performance evaluation mechanism is in place.	
	k) Role and responsibilities of the Chairperson and the CEO.	Policy on functions and responsibilities of Chairperson and Chief Executive Officer is in place.	
	l) Role of the company secretary.	The policy on the role of the Company Secretary is in place.	

Section	Direction	Status of Compliance	Reference to Annual Report
	m) Board sub committees and their role	The company has established five Board Committees, namely the Audit Committee, Integrated Risk Management Committee, Related Party Transactions Review Committee, Remuneration Committee, and Nomination Committee. Further the board has adopted charters for each aforementioned subcommittees	
	n) Limits on related party transactions.	Policy on related party transaction is in place.	
3.	**COMPOSITION OF THE BOARD**		
3.1	The Board's composition shall ensure a balance of skills and experience as may be deemed appropriate and desirable for the requirements of the size, complexity and risk profile of the FC.	All members of the Board possess extensive experience, qualifications, sufficient skills, and knowledge in their respective fields.	Refer Pages 16-19
3.2	The number of directors on the Board shall not be less than seven (07) and not more than thirteen (13).	During the year, the Board comprised a minimum of 7 and a maximum of 13 Directors, in accordance with the regulatory requirement. As of March 31, 2023, the Board consists of ten (10) Directors.	Refer Page 50
3.3	The total period of service of a director other than a director who holds the position of CEO/executive director shall not exceed nine years, subject to direction 3.4.	None of the Non-Executive Directors have held office for more than nine (9) years	
3.4.	Non-executive directors, who directly or indirectly holds more than 10% of the voting rights or who appointed to represent a shareholder who directly or indirectly holds more than 10% of the voting rights by producing sufficient evidence are eligible to hold office exceeding 9 years of service with prior approval of Director, Department of Supervision of Non-Bank Financial Institutions subject to provisions contained in direction 4.2 and 4.3. Provided, however number of non- executive directors eligible to exceed 9 years are limited to one-fourth (¼) of the total number of directors of the Board.	None of the Non-Executive directors of the Company have exceeded nine years of service as at 31 March 2023	
3.5.	**Executive Directors**		
	a) Only an employee of a FC shall be nominated, elected and appointed, as an executive director of the FC, provided that the number of executive directors shall not exceed one-third (1/3) of the total number of directors of the Board.	The number of Executive Directors does not exceed one-third (1/3) of the total number of Directors on the Board. Currently, there are three Executive Directors, and all of them are employees of the company.	
	b) A shareholder who directly or indirectly holds more than 10% of the voting rights of the FC, shall not be appointed as an executive director or as senior management. Provided however, existing executive directors with a contract of employment and functional reporting line and existing senior management are allowed to continue as an executive director/senior management until the retirement age of the FC and may reappoint as a non-executive director subject to provisions contained in direction 4.2 and 4.3. Existing executive directors without a contract of employment and functional reporting line need to step down from the position of executive director from the effective date of this direction and may reappoint as a non-executive director subject to provisions contained in direction 4.2 and 4.3.	The company has complied with the requirement as all existing Executive Directors have contracts of employment and functional reporting lines in place.	

CORPORATE GOVERNANCE

Section	Direction	Status of Compliance	Reference to Annual Report
	c) In the event of presence of the executive directors, CEO shall be one of the executive directors and may be designated as the managing director of the FC.	The CEO is one of the Executive Directors.	
	d) All Executive directors shall have a functional reporting line in the organization structure of the FC.	All Executive Directors have a clear functional reporting line within the organizational structure of the company.	
	e) The executive directors are required to report to the Board through CEO	Executive Directors are reporting to the Board through the CEO	
	f) Executive directors shall refrain from holding executive directorships or senior management positions in any other entity.	The Executive Directors have not held any executive directorships or senior management positions in any other entities.	
3.6.	**Non-Executive Directors**		
	a) Non-executive directors shall possess credible track records, and have necessary skills, competency and experience to bring independent judgment on the issues of strategy, performance, resources and standards of business conduct.	The Non-Executive Directors of the Company possess extensive experience and skills in their respective fields.	Refer Pages 16-19
	b) A non-executive director cannot be appointed or function as the CEO/executive director of the FC.	None of the Non-Executive Directors are appointed or function as the Executive Directors or CEO of the Company.	
3.7.	**Independent Directors**		
	a) The number of independent directors of the Board shall be at least three (03) or one-third (1/3) of the total number of directors, whichever is higher.	The number of Independent Non-Executive Directors is in compliance with the regulatory requirement that at least 3 or one third (1/3) of the total number of Directors on the Board. There were four Independent Non-Executive Directors as end of the reporting period.	Refer Page 50
	b) Independent directors appointed shall be of highest caliber, with professional qualifications, proven track record and sufficient experience.	All Independent Non-Executive Directors of the Company possess the substantial caliber, professional qualifications, a proven track record, and substantial experience in their respective fields.	
	c) A non-executive director shall not be considered independent if such: i Director has a direct or indirect shareholding exceeding 5% of the voting rights of the FC or exceeding 10% of the voting rights of any other FC. ii Director or a relative has or had during the period of one year immediately preceding the appointment as director, material business transaction with the FC, as described in direction 12.1(c) hereof, aggregate value outstanding of which at any particular time exceeds 10% of the stated capital of the FC as shown in its last audited statement of financial position. iii Director has been employed by the FC or its affiliates or is or has been a director of any of its affiliates during the one year, immediately preceding the appointment as director.	All Independent Non-Executive Directors have complied with the independence requirements as specified by the regulatory direction. Further the company has adopted policy on composition, independence and capacity building of Board of Directors to determine the independence factors of the Non- Executive Directors.	

Section	Direction	Status of Compliance	Reference to Annual Report
	iv Director has been an advisor or consultant or principal consultant/advisor in the case of a firm providing consultancy to the FC or its affiliates during the one year preceding the appointment as director. v Director has a relative, who is a director or senior management of the FC or has been a director or senior management of the FC during the one year, immediately preceding the appointment as director or holds shares exceeding 10% of the voting rights of the FC or exceeding 20%of the voting rights of another FC. vi Director represents a shareholder, debtor, creditor or such other similar stakeholder of the FC. vii Director is an employee or a director or has direct or indirect shareholding of 10% or more of the voting rights in a company, in which any of the other directors of the FC is employed or is a director. viii Director is an employee or a director or has direct or indirect shareholding of 10% or more of the voting rights in a company, which has a transaction with the FC as defined in direction 12.1(c), or in which any of the other directors of the FC has a transaction as defined in direction 12.1(c), aggregate value outstanding of which at any particular time exceeds 10% of the stated capital as shown in its last audited statement of financial position of the FC.		
	d) The nomination committee and Board should determine whether there is any circumstance or relationship, which is not listed at direction 3.7, which might impact a director's independence, or the perception of the independence.	No such circumstance transpired during the reporting period.	
	e) An independent director shall immediately disclose to the Board any change in circumstances that may affect the status as an independent director. In such a case, the Board shall review such director's designation as an independent director and notify the Director, Department of Supervision of Non-Bank Financial Institutions in writing of its decision to affirm or change the designation.	No such circumstance transpired during the reporting period.	
3.8.	**Alternate Directors**		
	a) Representation through an alternate director is allowed only; i) With prior approval of the Director, Department of Supervision of Non-Bank Financial Institutions under Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) or as amended; and	No such circumstance transpired during the reporting period.	

CORPORATE GOVERNANCE

Section	Direction	Status of Compliance	Reference to Annual Report
	ii) If the current director is unable to perform the duties as a director due to prolonged illness or unable to attend more than three consecutive meetings due to being abroad.	No such circumstance transpired during the reporting period.	
	b) The existing directors of the FC cannot be appointed as an alternate director to another existing director of the FC.		
	c) A person appointed as an alternate director to one of the directors cannot extend the role as an alternate director to another director in the same Board.		
	d) An alternate director cannot be appointed to represent an executive director.		
	e) In the event an alternate director is appointed to represent an independent director, the person so appointed shall also meet the criteria that apply to an independent director.		
3.9.	**Cooling off Periods**		
	a) There shall be a cooling off period of six months prior to an appointment of any person as a director, CEO of the FC, who was previously employed as a CEO or director, of another FC. Any variation thereto in exceptional circumstances where expertise of such persons requires to reconstitute a Board of a FC which needs restructuring, shall be made with prior approval of the Monetary Board.	No such circumstance transpired during the reporting period.	
	b) A director, who fulfills the criteria to become an independent director, shall only be considered for such appointment after a cooling off period of one year if such director has been previously considered as non-independent under the provisions of this Direction.		
3.10.	**Common Directorships**		
	Director or a senior management of a FC shall not be nominated, elected or appointed as a director of another FC except where such FC is a parent company, subsidiary company or an associate company or has a joint arrangement with the first mentioned FC subject to conditions stipulated in Direction 3.5(f).	No such circumstance transpired during the reporting period.	
3.11.	The Board shall determine the appropriate limits for directorships that can be held by directors. However, a director of a FC shall not hold office as a director or any other equivalent position (shall include alternate directors) in more than 20 companies/societies/bodies, including subsidiaries and associates of the FC.	There are no Directors who hold Directorship in more than twenty (20) companies/ societies / bodies / corporates including associate companies and subsidiaries of the company	

Section	Direction	Status of Compliance	Reference to Annual Report
4.	**ASSESSMENT OF FITNESS AND PROPRIETY CRITERIA**		
4.1.	No person shall be nominated, elected or appointed as a director of the FC or continue as a director of such FC unless that person is a fit and proper person to hold office as a director of such FC in accordance with the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction or as amended.	The Board has appointed Directors in accordance with the policy on the nomination, election, and appointment of Directors and other key responsible persons, which aligns with the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction.	
4.2.	A person over the age of 70 years shall not serve as a director of a FC.	There are no Directors who are over seventy (70) years of age.	
4.3.	Notwithstanding provisions contained in 4.2 above, a director who is already holding office at the effective date of this direction and who attains the age of 70 years on or before 31.03.2025, is permitted to continue in office as a director, exceeding 70 years of age up to maximum of 75 years of age subject to the following, a) Assessment by the Director/Department of Supervision of Non-Bank Financial Institutions on the fitness and propriety based on the criteria specified in the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction. b) Prior approval of the Monetary Board based on the assessment of the Director/Department of Supervision of Non-Bank Financial Institutions in 4.3(a). c) The maximum number of directors exceeding 70 years of age is limited to one-fifth (1/5) of the total number of directors. d) The director concerned shall have completed a minimum period of 3 continuous years in office, as at the date of the first approval.	No such situation has arisen during the financial year 2022/23.	
5.	**APPOINTMENT AND RESIGNATION OF DIRECTORS AND SENIOR MANAGEMENT**		
5.1.	The appointments, resignations or removals shall be made in accordance with the provisions of the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction.	The Company has complied with the provisions outlined in Finance Business Act Direction No. 6 of 2021 concerning the assessment of fitness and propriety of Key Responsible Persons for appointments, resignations, or removals.	
6.	**THE CHAIRPERSON AND THE CEO**		
6.1.	There shall be a clear division of responsibilities between the chairperson and CEO and responsibilities of each person shall be set out in writing.	The responsibilities of the Chairman and the CEO are clearly separated and documented in the policy on the functions and responsibilities of the Chairperson and Chief Executive Officer.	
6.2.	The chairperson shall be an independent director, subject to 6.3 below.	The Chairman holds the position of a Non-Independent Non-Executive Director, and the company has appointed one of the Independent Directors as a Senior Director with appropriate terms of reference. The performance of the Chairman has been assessed for the financial year 2022-2023.	

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Section	Direction	Status of Compliance	Reference to Annual Report
6.3.	In case where the chairperson is not independent, the Board shall appoint one of the independent directors as a senior director, with suitably documented terms of reference to ensure a greater independent element. Senior director will serve as the intermediary for other directors and shareholders. Non-executive directors including senior director shall assess the chairperson's performance at least annually.	The Chairman holds the position of a Non-Independent Non-Executive Director, and the company has appointed one of the Independent Directors as a Senior Director with appropriate terms of reference. The performance of the Chairman has been assessed for the financial year 2022-2023.	
6.4.	**Responsibilities of the Chairperson**		
	The responsibilities of the chairperson shall at least include the following: a) Provide leadership to the Board. b) Maintain and ensure a balance of power between executive and non-executive directors. c) Secure effective participation of both executive and non-executive directors. d) Ensure the Board works effectively and discharges its responsibilities. e) Ensure all key issues are discussed by the Board in a timely manner. f) Implement decisions/directions of the regulator. g) Prepare the agenda for each Board Meeting and may delegate the function of preparing the agenda and to maintaining minutes in an orderly manner to the company secretary. h) Not engage in activities involving direct supervision of senior management or any other day to day operational activities. i) Ensure appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board. j) Annual assessment on the Performance and the contribution during the past 12 months of the Board and the CEO.	The Board-approved policy on the functions and responsibilities of the Chairperson includes the requirement of the regulations. Furthermore, performance of the Chairperson has been assessed by the Non-executive Board members.	
6.5.	**Responsibilities of the CEO**		
	The CEO shall function as the apex executive-in-charge of the day-to-day-management of the FC's operations and business. The responsibilities of the CEO shall at least include: a) Implementing business and risk strategies in order to achieve the FC's strategic objectives. b) Establishing a management structure that promotes accountability and transparency throughout the FC's operations and preserves the effectiveness and independence of control functions.	The Board-approved policy on the functions and responsibilities of the CEO includes the requirement of the regulations. Further, CEO performance has been assessed by the Non – Executive Board members.	

Section	Direction	Status of Compliance	Reference to Annual Report
	c) Promoting, together with the Board, a sound corporate culture within the FC, which reinforces ethical, prudent and professional behavior. d) Ensuring implementation of proper compliance culture and being accountable for accurate submission of information to the regulator. e) Strengthening the regulatory and supervisory compliance framework. f) Addressing the supervisory concerns and non-compliance with regulatory requirements or internal policies in a timely and appropriate manner. g) CEO must devote the whole of the professional time to the service of the FC and shall not carry on any other business, except as a non-executive director of another company, subject to Direction 3.10.		
7.	**MEETINGS OF THE BOARD**		
7.1.	The Board shall meet at least twelve times a financial year at approximately monthly intervals. Obtaining the Board's consent through the circulation of papers to be avoided as much as possible.	Board Meetings were held regularly, and a total of 14 Board meetings were conducted during the financial year 2022/23. Furthermore, there were 46 instances where the Board's consent was obtained through the circulation of resolutions/papers, which were subsequently ratified by the Board at their meetings.	Refer Page 50
7.2.	The Board shall ensure that arrangements are in place to enable matters and proposals by all directors of the Board to be represented in the agenda for scheduled Board Meetings.	A Board-approved procedure is in place to include matters and proposals in the agenda of the Board meeting.	
7.3.	A notice of at least 3 days shall be given for a scheduled Board meeting. For all other Board meetings, a reasonable notice shall be given.	The Board provides a notice period of at least 3 days for regular Board meetings.	
7.4.	A director shall devote sufficient time to prepare and attend Board meetings and actively contribute by providing views and suggestions.	All members of the Board have made significant contributions during the Board meetings, and these deliberations are duly recorded in the minutes of the Board meetings.	
7.5.	A meeting of the Board shall not be duly constituted, although the number of directors required to constitute the quorum at such meeting is present, unless at least one fourth (1/4) of the number of directors that constitute the quorum at such meeting are independent directors.	No such situation has arisen during the financial year 2022/23 and the company has complied with the requirement.	
7.6.	The chairperson shall hold meetings with the non-executive directors only, without the executive directors being present, as necessary and at least twice a year.	Two meetings were conducted exclusively with the participation of Non-Executive Directors, without the presence of Executive Directors	

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7.7.	A director shall abstain from voting on any Board resolution in relation to a matter in which such director or relative or a concern in which he has substantial interest, is interested, and he shall not be counted in the quorum for the relevant agenda item in the Board meeting.	The Board approved policy on conflicts of interests is in place.	
7.8.	A director who has not attended at least two-thirds (2/3) of the meetings in the period of 12 months immediately preceding or has not attended three consecutive meetings held, shall cease to be a director. Provided that participation at the directors' meetings through an alternate director shall be acceptable as attendance, subject to applicable directions for alternate directors.	In 2022/23, no such incidents occurred.	Refer Page 50
7.9.	**Scheduled Board Meetings and Ad Hoc Board Meetings**		
	For the scheduled meetings, participation in person is encouraged and for ad hoc meetings where director cannot attend on a short notice, participation through electronic means is acceptable.	The Board meetings have been scheduled using a hybrid method.	
8.	**COMPANY SECRETARY**		
8.1.	a) The Board shall appoint a company secretary considered to be a senior management whose primary responsibilities shall be to handle the secretarial services to the Board and of shareholder meetings, and to carry out other functions specified in the statutes and other regulations.	The Board has appointed a professional Secretarial Company as the Company Secretary in compliance with the provisions of the Companies Act and other applicable regulations.	
	b) The Board shall appoint its company secretary, subject to transitional provision stated in 19.2 below, a person who possesses such qualifications as may be prescribed for a secretary of a company under section 222 of the Companies Act, No. 07 of 2007, on being appointed the company secretary, such person shall become an employee of FC and shall not become an employee of any other institution.	A transitional period until 01st July 2024 has been granted by the CBSL to comply with the same. However, the company has already recruited a person to be appointed as the Secretary, to take over the functions of the Company Secretary prior to 1st July 2024.	
8.2.	All directors shall have access to advice and services of the company secretary with a view to ensuring the Board procedures laws, directions, rules and regulations are followed.	A Board approved procedure in seeking advice from company secretary by a director is in place.	
8.3.	The company secretary shall be responsible for preparing the agenda in the event chairperson has delegated carrying out such function.	The Chairman sets the Board Agenda, assisted by the Company Secretary.	
8.4.	The company secretary shall maintain minutes of the Board meetings with all submissions to the Board and/ or voice recordings/video recordings for a minimum period of 6 years.	The Company Secretary maintains the minutes and all submissions of the Board Meetings, and directors have access to past Board minutes and papers at any time. Minutes of the Board meetings with all submissions to the Board are maintained for a minimum period as applicable in the regulations.	
8.5.	The company secretary is responsible for maintaining minutes in an orderly manner and shall follow the proper procedure laid down in the Articles of Association of the FC.	The Board approved policy on the role of company secretary is in place to ensure the regulatory requirements.	

Section	Direction	Status of Compliance	Reference to Annual Report
8.6.	Minutes of the Board meetings shall be recorded in sufficient detail so that it is possible to ascertain whether the Board acted with due care and prudence in performing its duties. The minutes of a Board meeting shall clearly include the following: (a) a summary of data and information used by the Board in its deliberations; (b) the matters considered by the Board; (c) the fact-finding discussions and the issues of contention or dissent, including contribution of each individual director; (d) the explanations and confirmations of relevant parties, which indicate compliance with the Board's strategies and policies and adherence to relevant laws, regulations, directions; (e) the Board's knowledge and understanding of the risks to which the FC is exposed and an overview of the risk management measures adopted; and (f) the decisions and Board resolutions.	Board minutes contain required details, such as data and information used by the Board in its deliberations, matters considered by the Board, fact-finding discussions, decisions, and Board resolutions, which are used by the Board members in their decision making.	
8.7.	The minutes shall be open for inspection at any reasonable time, on reasonable notice by any director.	Directors have access to past Board minutes and documents at any time.	
9.	**DELEGATION OF FUNCTIONS BY THE BOARD**		
9.1.	The Board shall approve a Delegation of Authority (DA) and give clear directions to the senior management, as to the matters that shall be approved by the Board before decisions are made by senior management, on behalf of the FC.	The Board approved delegation authority limits is in place to give clear directions to the senior management of the company.	
9.2.	In the absence of any of the sub-committees mentioned in Direction 10 below, the Board shall ensure the functions stipulated under such committees shall be carried out by the Board itself.	The Board has appointed Board sub-committees as required by the direction.	
9.3.	The Board may establish appropriate senior management level sub-committees with appropriate DA to assist in Board decisions.	The Board has approved senior management level sub-committees, namely the Assets and Liability Committee, Credit Committee, Information Technology Steering Committee, and Information Security Steering Committee, which are currently in place.	Refer Page 48
9.4.	The Board shall not delegate any matters to a board sub-committee, executive directors or senior management, to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions.	The Board approved policy on matters reserved for the Board of Directors is in place.	
9.5.	The Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the FC.	The delegation process is periodically reviewed to ensure that it meets the demands of the Company. The Board has approved the delegation of authority for Credit limits and Finance limits at the Board meetings held on 29.03.2022 and 27.06.2022, respectively.	

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Section	Direction	Status of Compliance	Reference to Annual Report
10	**BOARD SUB-COMMITTEES**		
10.1	**a). Board Sub-Committees**		
	Shall establish a Board Audit Committee (BAC), Board Integrated Risk Management Committee (BIRMC), Nomination Committee, Human Resource and Remuneration Committee and Related Party Transactions Review Committee	The company has established five Board Committees, namely the Board Audit Committee (BAC), Board Integrated Risk Management Committee (BIRMC), Board Related Party Transactions Review Committee (BRPTRC), Board Human Resource and Remuneration Committee (BHRRC), and Board Nomination Committee (BNC). Each sub-committee is governed by its own terms of reference and has a Secretary who maintains minutes and records under the supervision of the Chairperson of the sub-committee. The reports of the Board sub-committees are included in this Annual Report.	
	Meetings		
	Meetings shall be held at least once in two months for BAC and BIRMC. Other committees shall meet at least annually.	The BAC and BIRMC meetings were held thirteen times (13) during the financial year 2022/23. The BHRRC and BRPTRC have been held four times (4) and BNC was held seven times (7) during the under review.	Refer page 50
	b) Each Board sub-committee shall have a board approved written terms of reference specifying clearly its authority and duties.	Written terms of reference (charters) clearly specifying the authority and duties are in place for each sub-committee.	
	c) The Board shall present a report on the performance of duties and functions of each Board sub-committee, at the annual general meeting of the FC.	Each sub-committee has provided reports in the annual report, disclosing their performance, duties, and functions.	Refer pages 87-92
	d) Each sub-committee shall appoint a secretary to arrange its meetings, maintain minutes, voice or video recordings, maintenance of records and carry out such other secretarial functions under the supervision of the chairperson of the committee.	The company secretary appointed as the secretary for all Board sub-committees and minutes contain required details.	
	e) Each Board sub-committee shall consist of at least three Board members and shall only consist of members of the Board, who have the skills, knowledge and experience relevant to the responsibilities of the committee.	The Board sub-committee consists of at least three Board members and consists only of members of the Board who have the skills, knowledge, and experience relevant to the responsibilities of the committee.	
	f) The Board may consider occasional rotation of members and of the chairperson of Board sub-committees, as to avoid undue concentration of power and promote new perspectives.	When necessary, the rotation of Chairs and members of the Board's subcommittees will be taken into consideration.	
10.2	**Board Audit Committee (BAC)**		
	a) The chairperson of BAC shall be an independent director who possesses qualifications and experience in accountancy and/or audit.	The Chairperson of the Committee is an Independent Non-Executive Director, and the profile of the Chairperson is provided in this Annual Report.	Refer page 18
	b) The Board members appointed to the BAC shall be non-executive directors and majority shall be independent directors with necessary qualifications and experience relevant to the scope of the BAC.	All members of the Board Audit Committee are Non-Executive Directors and majority members are Independent directors with necessary qualifications and experience relevant to the scope of the BAC.	
	c) The secretary to the BAC shall preferably be the Chief Internal Auditor (CIA).	The Company Secretary functions as the Secretary of the BAC.	

Section	Direction	Status of Compliance	Reference to Annual Report
	d) External Audit Function		
	i. The BAC shall make recommendations on matters in connection with the appointment of the external auditor for audit services to be provided in compliance with the relevant statutes, the service period, audit fee and any resignation or dismissal of the auditor.	The Auditor's appointments, service periods, and fees are determined and recommended by the BAC.	
	ii. Engagement of an audit partner shall not exceed five years, and that the particular audit partner is not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term. Further, FC shall not use the service of the same external audit firm for not more than ten years consecutively.	E&Y functions as the External Auditor of the Company. The engagement of the same audit partner has not exceeded five years and has not been re-engaged for the audit before the expiry of three years from the date of the completion of the previous term. The Company will adhere to the aforementioned section once it takes effect on July 1st, 2024.	
	iii. Audit partner of an FC shall not be a substantial shareholder, director, senior management or employee of any FC.	E&Y functions as the External Auditor of the Company and the audit partner has declared that he is not a substantial shareholder, director, senior management or employee of any other finance company.	
	iv. The committee shall review and monitor the external auditor's independence and objectivity and the effectiveness of the audit processes in accordance with applicable standards and best practices.	The Committee monitors the External Auditor's independence objectivity and effectiveness of the audit process taking into account relevant professional and regulatory requirements. The Committee has obtained a representation from the External Auditors that confirmed the External Auditors are independent.	
	v. Audit partner shall not be assigned to any non-audit services with the FC during the same financial year in which the audit is being carried out. The BAC shall develop and implement a policy with the approval of the Board on the engagement of an external audit firm to provide non-audit services that are permitted under the relevant regulatory framework. In doing so, the BAC shall ensure that the provision of service by an external audit firm of non-audit services does not impair the external auditor's independence or objectivity.	A Board approved policy on the engagement of the External Auditor to provide non-audit services is in place. The BAC ensures that the External Auditors are able to maintain objectivity and independence and are suitable to perform the required non-audit services	
	vi. The BAC shall, before the audit commences, discuss and finalise with the external auditors the nature and scope of the audit, including: (i) an assessment of the FC's compliance with Directions issued under the Act and the management's internal controls over financial reporting; (ii) the preparation of financial statements in accordance with relevant accounting principles and reporting obligations; and (iii) the co-ordination between auditors where more than one auditor is involved.	The Committee has prior discussed and finalized the nature and scope of the audit with the External Auditor including the assessment of the company's compliance with Directions issued under the Act and the management's internal controls over financial reporting, the preparation of financial statements in accordance with relevant accounting principles and reporting obligations.	

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Section	Direction	Status of Compliance	Reference to Annual Report
	vii. The BAC shall review the financial information of the FC, in order to monitor the integrity of the financial statements of the FC in its annual report, accounts and periodical reports prepared for disclosure, and the significant financial reporting judgments contained therein. In reviewing the FC's annual report and accounts and periodical reports before submission to the Board, the committee shall focus particularly on: (i) major judgmental areas; (ii) any changes in accounting policies and practices; (iii) significant adjustments arising from the audit; (iv) the going concern assumption; and (v) the compliance with relevant accounting standards and other legal requirements.	The BAC has a process to review financial information of the Company in order to monitor the integrity of the financial statements of the Company, its annual report, accounts and periodical reports prepared for disclosure and the significant financial reporting judgments contained therein.	
	viii. The BAC shall discuss issues, problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss including those matters that may need to be discussed in the absence of senior management, if necessary.	The Committee has met External Auditors in the absence of senior management to discuss issues, problems and reservations arising from the final audit and any matters the auditor may wish to discuss.	
	ix. The BAC shall review the external auditor's management letter and the management's response thereto within 3 months of submission of such, and report to the Board.	The management letter and the management's response are reviewed by the BAC, and oversight is given to any corrective actions required.	
	e) The BAC shall at least annually conduct a review of the effectiveness of the system of internal controls.	The BAC conducts reviews to ensure the effectiveness of the internal control system. Further, the effectiveness of the Company's internal control mechanism has been certified by the Directors in the annual report under the heading "Directors' Statement on Internal Controls over Financial Reporting."	Refer pages 95-96
	f) The BAC shall ensure that the senior management are taking necessary corrective actions in a timely manner to address internal control weaknesses, non-compliance with policies, laws and regulations, and other problems identified by auditors and supervisory bodies with respect to internal audit function of the FC.	The BAC ensures that senior management takes corrective actions in a timely manner for internal control weaknesses, non-compliance with policies, laws and regulations, and other problems identified by auditors and supervisory bodies regarding the internal audit function of the company.	
	g) Internal Audit Function		
	i. The committee shall establish an independent internal audit function (either in house or outsourced as stipulated in the Finance Business Act (Outsourcing of Business Operations) Direction or as amended that provides an objective assurance to the committee on the quality and effectiveness of the FC's internal control, risk management, governance systems and processes.	The company has an in-house internal audit function with an appropriate internal audit mandate that covers the scope and functions of the internal audit department as required by the regulations.	
	ii. The internal audit function shall have a clear mandate, be accountable to the BAC, be independent and shall have sufficient expertise and authority within the FC to carry out their assignments effectively and objectively.	There is a Board-approved internal audit mandate that defines the purpose, authority, and responsibility of the internal auditor. It ensures independence, sufficient resources, and authority for the internal auditor to carry out their functions effectively and objectively.	

Section	Direction	Status of Compliance	Reference to Annual Report
	iii. The BAC shall take the following steps with regard to the internal audit function of the FC:		
	(i) Review the adequacy of the scope, functions and skills and resources of the internal audit department and ensure the internal audit department has the necessary authority to carry out its work.	The BAC has reviewed the scope, functions, and skills and resources of the internal audit department. Furthermore, the committee has ensured that the internal auditors have the necessary authority to carry out their work in accordance with the mandate.	
	(ii) Review the internal audit program and results of the internal audit process and, where necessary, ensure appropriate actions are taken on the recommendations of the internal audit.	The Committee reviewed the audit programs, internal audit findings and results of the internal audit process and, where necessary, ensured that appropriate actions are taken on the recommendations of the internal Audit Department.	
	(iii) Assess the performance of the head and senior staff members of the internal audit department.	The Committee has carried out of the performance appraisal of the Head of Internal Audit and other senior staff members of the Internal Audit Department.	
	(iv) Ensure the internal audit function is independent and activities are performed with impartiality, proficiency and due professional care.	Internal audit function is independent and activities are performed with impartiality, proficiency and due professional care through the implementation of internal audit mandate.	
	(v) Ensure internal audit function carry out periodic review of compliance function and regulatory reporting to regulatory bodies.	The BAC reviews the compliance reviews conducted by Internal Audit department.	
	(vi) Examine the major findings of internal investigations and management's responses thereto.	The Committee considers the major findings of the internal audit department and the management's responses to them. They ensure that the recommendations have been implemented.	
	h) The BAC shall review the statutory examination reports of the Central Bank of Sri Lanka (CBSL) and ensure necessary corrective actions are taken in a timely manner and monitor the progress of implementing the time bound action plan quarterly.	The BAC reviews the progress of the implementation of recommendations from the CBSL on-site investigation report on a quarterly basis.	
	i) Meetings of the Committee		
	i. The BAC shall meet as specified in 10.1 above, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.	Every BAC meeting is conducted with due notice of the issues to be discussed. Discussions during the meetings are recorded, and minutes are subsequently submitted to the Board for its information.	
	ii. Other Board members, senior management or any other employee may attend meetings upon the invitation of the committee when discussing matters under their purview.	The BAC invites other Board members, Key Responsible Persons (KRPs), and any other required employees to attend meetings when discussing matters under their purview.	
	iii. BAC shall meet at least twice a year with the external auditors without any other directors/ senior management/employees being present.	During the financial year 2022/23, the BAC has held two meetings with external auditors without the presence of any other directors, senior management, or employees.	

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Section	Direction	Status of Compliance	Reference to Annual Report
10.3.	**Board Integrated Risk Management Committee (BIRMC)**		
	a) The BIRMC shall be chaired by an independent director. The Board members appointed to BIRMC shall be non-executive directors with knowledge and experience in banking, finance, risk management issues and practices. The CEO and Chief Risk Officer (CRO) may attend the meetings upon invitation. The BIRMC shall work with senior management closely and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the committee.	The BIRMC is chaired by an Independent director, and the composition of the Committee complies with the requirements stipulated in the direction. The Committee works closely with KRP and makes decisions on behalf of the Board within the framework of the authority and responsibility assigned to the Committee.	
	b) The secretary to the committee may preferably be the CRO.	The company secretary function as the secretary to the committee.	
	c) The committee shall assess the impact of risks, including credit, market, liquidity, operational, strategic, compliance and technology, to the FC at least on once in two months basis through appropriate risk indicators and management information and make recommendations on the risk strategies and the risk appetite to the Board.	The Committee has established a process to assess all risks, including credit, market, liquidity, operational, strategic, compliance, and technology risks to the Company on a monthly basis using appropriate risk indicators and management information. Additionally, the committee assesses the risk appetite statement of the company and reports to the board, highlighting key risks and mitigation strategies of the company.	
	d) Developing FC's risk appetite through a Risk Appetite Statement (RAS), which articulates the individual and aggregate level and types of risk that a FC will accept, or avoid, in order to achieve its strategic business objectives. The RAS should include quantitative measures expressed relative to earnings, capital, liquidity, etc., and qualitative measures to address reputation and compliance risks as well as money laundering and unethical practices. The RAS should also define the boundaries and business considerations in accordance with which the FC is expected to operate when pursuing business strategy and communicate the risk appetite linking it to daily operational decision making and establishing the means to raise risk issues and strategic concerns throughout the FC.	The BIRMC has developed a Board-approved risk appetite statement (RAS) that includes both quantitative and qualitative measures as required by the regulations. The RAS also defines maximum limits and business considerations in accordance with which the company is expected to operate when pursuing its business strategy.	
	e) The BIRMC shall review the FC's risk policies including RAS, at least annually.	The BIRMC periodically reviews risk policies, including the risk appetite statement (RAS).	
	f) The BIRMC shall review the adequacy and effectiveness of senior management level committees (such as credit, market, liquidity investment, technology and operational) to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the committee.	The BIRMC has reviewed the effectiveness of the performance of management level Committees.	
	g) The committee shall assess all aspects of risk management including updated business continuity and disaster recovery plans.	The committee has reviewed the business continuity and disaster recovery plans and assessed all aspects of the company's risk management.	

Section	Direction	Status of Compliance	Reference to Annual Report
	h) BIRMC shall annually assess the performance of the compliance officer and the CRO.	The BIRMC assessed the performance of the Compliance Officer and the Chief Risk Officer for the financial year 2022/23.	
	i) Compliance Function		
	i. BIRMC shall establish an independent compliance function to assess the FC's compliance with laws, regulations, directions, rules, regulatory guidelines and approved policies on the business operations.	The company has established an independent compliance function which is independent from day-to-day management operations.	
	ii. For FCs with asset base of more than Rs. 20 bn, a dedicated compliance officer considered to be senior management with sufficient seniority, who is independent from day-to-day management shall carry out the compliance function and report to the BIRMC directly. The compliance officer shall not have management or financial responsibility related to any operational business lines or income-generating functions, and there shall not be 'dual hatting', i.e. the chief operating officer, chief financial officer, chief internal auditor, chief risk officer or any other senior management shall not serve as the compliance officer.	A dedicated Compliance Officer has been appointed.	
	iii For FCs with an asset base of less than Rs. 20bn, an officer with adequate seniority considered to be senior management shall be appointed as compliance officer avoiding any conflict of interest.	Not applicable.	
	iv. The BIRMC shall ensure responsibilities of a compliance officer would broadly encompass the following:	The Board-approved mandate of the Compliance Officer (CO) encompasses the regulatory requirements	
	(i) develop and implement policies and procedures designed to eliminate or minimize the risk of breach of regulatory requirements;	Compliance-related policies and procedures have been developed to minimize the risk of breaching regulatory requirements.	
	(ii) ensure compliance policies and procedures are clearly communicated to all levels of the FC to enhance the compliance culture;	A Board-approved Compliance policies are in place and have been communicated to all KRPs. It is also available in the HRIS system (intranet system), accessible by all employees of the Company.	
	(iii) ensure reviews are undertaken at appropriate frequencies to assess compliance with regulatory rules and internal compliance standards;	Periodic reviews are conducted to assess the level of compliance with regulatory requirements.	
	(iv) understand and apply new legal and regulatory developments relevant to the business of FC;	The Company implements all new legal and regulatory developments that are applicable to its business.	
	(v) secure early involvement in the design and structuring of new products and systems, to ensure conformity with the regulatory requirements, internal compliance and ethical standards;	The Board approved new product development policy is in place and sign off is obtained from all required officers including compliance prior to implementation of a new product.	

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Section	Direction	Status of Compliance	Reference to Annual Report
	(vi) highlight serious or persistent compliance issues and where appropriate, work with the management to ensure that they are rectified within an acceptable time; and	Compliance concerns were highlighted to the BIRMC and with the support of the management, they were rectified.	
	(vii) maintain regular contact and good working relationship with regulators based upon clear and timely communication and a mutual understanding of the regulators' objectives with highest integrity.	With the regulators, a positive working relationship is upheld. There is maintenance of timely reporting and communications.	
	j) Risk Management Function		
	i. BIRMC shall establish an independent risk management function responsible for managing risk-taking activities across the FC.	The company has established an independent risk management function.	
	ii. For FCs with asset base of more than Rs.20 bn, it is expected to have a separate risk management department and a dedicated CRO considered to be senior management shall carry out the risk management function and report to the BIRMC periodically.	A dedicated Chief Risk Officer (CRO) has been appointed to carry out the risk management function and regular reports are submitted to the BIRMC.	
	iii. The CRO has the primary responsibility for implementing the Board approved risk management policies and processes including RAS in order to ensure the FC's risk management function is robust and effective to support its strategic objectives and to fulfill broader responsibilities to various stakeholders.	The Board approved risk management policy and procedures including RAS has been developed.	
	iv. The BIRMC shall ensure that the CRO is responsible for developing and implementing a Board approved integrated risk management framework that covers:	The Board approved mandate of the CRO is in line with the regulatory requirement.	
	(i) various potential risks and frauds; (ii) possible sources of such risks and frauds;	Various potential risk and frauds and sources of such risk and frauds have been identified and discussed in the BIRMC	
	(iii) mechanism of identifying, assessing, monitoring and reporting of such risks which includes quantitative and qualitative analysis covering stress testing ; (iv) effective measures to control and mitigate risks at prudent levels; and	The BIRMC has established a mechanism for identifying, assessing, and monitoring risks, and regular reports are forwarded to the committee. These reports are discussed, and measures are taken to control and mitigate the identified risks.	
	(v) relevant officers and committees responsible for such control and mitigation. The framework shall be reviewed and updated at least annually.	The risk management framework reviewed and updated frequently.	
	v. The CRO shall also participate in key decision-making processes such as capital and liquidity planning, new product or service development, etc., and make recommendations on risk management.	The CRO participates in key decision making processes including strategic planning, capital, liquidity planning, new product development etc.	
	vi. The CRO shall maintain an updated risk register, which shall be submitted to the BIRMC on a quarterly basis.	Risk register of the company is updated and forwarded to the BIRMC committee on timely manner.	

Section	Direction	Status of Compliance	Reference to Annual Report
	vii. The BIRMC shall submit a risk assessment report for the upcoming Board meeting seeking the Board's views, concurrence and/or specific directions.	A risk report is submitted by the BIRMC to the upcoming board meeting for the Board review.	
10.4.	**Nomination Committee**		
	The following shall apply in relation to the Nomination Committee:		
	a) The committee shall be constituted with non-executive directors and preferably the majority may be independent directors. An independent director shall chair the committee. The CEO may be present at meetings by invitation of the committee.	The Board Nomination Committee (BNC) is Chaired by an Independent Director, and the composition of the Committee complies with the requirements stipulated in the direction.	
	b) Secretary to the nomination committee may preferably be the company secretary.	The Secretary to the committee is the Company Secretary.	
	c) The committee shall implement a formal and transparent procedure to select/appoint new directors and senior management. Senior management are to be appointed with the recommendation of CEO, excluding CIA, CRO and compliance officer.	The policy on the nomination, election, and appointment of Directors and other key responsible persons is in place. The appointment of new key responsible persons is subject to the recommendation of the BNC.	
	d) The committee shall ensure that directors and senior management are fit and proper persons to perform their functions as per the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction.	The BNC has ensured that all the KRPs are fit and proper individuals to perform their functions in accordance with the directives of CBSL. The company has obtained the necessary approval from CBSL for their initial appointments and for the continuing KRPs of Directors.	
	e) The selection process shall include reviewing whether the proposed directors (i) possess the knowledge, skills, experience, independence and objectivity to fulfill their responsibilities on the board; (ii) have a record of integrity and good repute; and (iii) have sufficient time to fully carry out their responsibilities.	All KRPs are appointed in accordance with the policy on the nomination, election, and appointment of Directors and other key responsible persons. This policy ensures adherence to the stipulated selection criteria for the appointment of KRPs.	
	f) The committee shall strive to ensure that the Board composition is not dominated by any individual or a small group of individuals in a manner that is detrimental to the interests of the stakeholders and the FC as a whole.	The committee strive to ensue that the composition of Board is structured in a way that prevents any form of domination by an individual or a small group of individuals.	
	g) The committee shall set the criteria, such as qualifications, experience and key attributes required for eligibility, to be considered for appointment to the post of CEO and senior management.	The committee has set criteria, that are required for eligibility, to be considered for appointment of management personal of KRPs.	

Section	Direction	Status of Compliance	Reference to Annual Report
	h) Upon the appointment of a new director to the Board, the committee shall assign the responsibility to the company secretary to disclose to shareholders: (i) a brief resume of the director; (ii) the nature of the expertise in relevant functional areas; (iii) the names of companies in which the director holds directorships or memberships in Board committees; and (iv) whether such director can be considered as independent.	The committee ensures that the stipulated requirements are in compliance for the new appointment of a Director.	
	i) The committee shall consider and recommend (or not recommend) the re-election of current directors, taking into account the combined knowledge, performance towards strategic demands faced by the FC and contribution made by the director concerned towards the discharge of the Board's overall responsibilities.	The committee ensured that the stipulated requirements are in compliance for re-election of a current Director.	
	j) The committee shall consider and recommend from time to time, the requirements of additional/new expertise and the succession arrangements for retiring directors and senior management	The Board-approved succession plan for Key Responsible Persons (KRPs), recommended by the BNC, is now in place.	
	k) A member of the nomination committee shall not participate in decision making relating to own appointment/ reappointment and the Chairperson of the board should not chair the committee when it is dealing with the appointment of the successor.	Members of the BNC are not involved in the decision-making process for their own appointment or re-appointment.	
10.5.	**Human Resource and Remuneration Committee**		
	The following shall apply in relation to the Human Resources and Remuneration Committee:		
	a) The committee shall be chaired by a non-executive director and the majority of the members shall consist of non-executive directors.	The committee is chaired by a non-executive director, and its composition complies with the required guidelines.	
	b) The secretary to the human resource and remuneration committee may preferably be the company secretary.	The company secretary serves as the secretary of the BHRRC.	
	c) The committee shall determine the remuneration policy (salaries, allowances, and other financial payments) relating to executive directors and senior management of the FC and fees and allowances structure for non-executive directors.	The company has a Board approved Remuneration policy for Executive Directors and Senior Management. The remuneration of Non-Executive Directors is governed by the board-approved Non-Executive Directors Remuneration Policy, which falls under the purview of the BHRRC and is approved by the Board	
	d) There shall be a formal and transparent procedure in developing the remuneration policy. e) The committee shall recommend the remuneration policy for approval of the Board on paying salaries, allowances and other financial incentives for all employees of the FC. The policy shall be subject to periodic review of the Board, including when material changes are made.	The Remuneration Policy ensures that remuneration (salaries, allowances, and other financial payments) to all employees of the Company is based on considerations such as individual performances, adherence to the Company's purpose and values, overall Company performance, and industry best practices. The remuneration policy is recommended by the BHHRC and approved by the Board, and subject to periodic reviews.	

Section	Direction	Status of Compliance	Reference to Annual Report
	f) The remuneration structure shall be in line with the business strategy, objectives, values, long-term interests and cost structure of the FC. It shall also incorporate measures to prevent conflicts of interest. In particular, incentives embedded within remuneration structures shall not incentivize employees to take excessive risk or to act in self-interest.	The committee has ensured that the remuneration structure is aligned with the business strategy, objectives, values, long-term interests, and cost structure of the company.	
	g) The committee shall review the performance of the senior management (excluding chief internal auditor, compliance officer, chief risk officer) against the set targets and goals, which have been approved by the Board at least annually, and determine the basis for revising remuneration, benefits and other payments of performance-based incentives.	The BHRRC has reviewed the emoluments structure of Key Responsible Personnel (excluding the Chief Internal Auditor, Compliance Officer, and Chief Risk Officer), as well as their Performance Evaluation scores and any changes compared to the previous year's data.	
	h) The committee shall ensure that the senior management shall abstain from attending committee meetings, when matters relating to them are being discussed.	The committee adheres to the stated section.	
11.	**INTERNAL CONTROLS**		
11.1.	FCs shall adopt well-established internal control systems, which include the organizational structure, segregation of duties, clear management reporting lines and adequate operating procedures in order to mitigate operational risks.	The effectiveness of the Company's internal control mechanism has been certified by the Directors in the annual report under the heading "Directors' Statement on Internal Controls over Financial Reporting. Further, the External Auditors were engaged in providing assurance on the aforementioned report, and their opinion is submitted to the Board.	Refer pages 95-96
11.2.	A proper internal control system shall: (a) promote effective and efficient operations; (b) provide reliable financial information; (c) safeguard assets; (d) minimize the operating risk of losses from irregularities, fraud and errors; (e) ensure effective risk management systems; and (f) ensure compliance with relevant laws, regulations, directions and internal policies.	The BAC has adopted and reviewed the adequacy and the effectiveness of the company's internal control systems and management information systems (MIS). Internal Audit Department supports the process by carrying out audits to assess the internal controls over financial reporting and management information systems.	
11.3.	All employees shall be given the responsibility for internal controls as part of their accountability for achieving objectives.	All employees are given the responsibility for internal controls through their appointment letters and acceptance of ethical framework of the company.	
12.	**RELATED PARTY TRANSACTIONS**		
12.1.	Board shall establish a policy and procedures for related party transactions, which covers the following.		
	a) All FCs shall establish a Related Party Transactions Review Committee (RPTRC) and the chairperson shall be an independent director and the members shall consist of non-executive directors.	The company has established a RPTRC, with an Independent Director serving as the Chairperson and two Non-Executive Directors as members.	
	b) All related party transactions shall be prior reviewed and recommended by the RPTRC.	The committee approved mechanism is in place to avoid any conflicts of interest that may arise from such transactions.	

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Section	Direction	Status of Compliance	Reference to Annual Report
	c) The business transactions with a related party that are covered in this Direction shall be the following: i. Granting accommodation. ii. Creating liabilities to the FC in the form of deposits, borrowings and any other payable. iii. Providing financial or non-financial services to the FC or obtaining those services from the FC. iv. Creating or maintaining reporting lines and information flows between the FC and any related party which may lead to share proprietary, confidential or information not available in the public domain or otherwise sensitive information that may give benefits to such related party.	Except for specific transactions mentioned in the RPT policy, all other Related party transactions are post reviewed and recommended by the RPTRC. All related party transactions have been disclosed in the Financial Statements. No accommodation has been granted to Directors and/or their close relatives during the year.	
12.2.	The committee shall take the necessary steps to avoid any conflicts of interest that may arise from any transaction of the FC with any person, and particularly with the following categories of persons who shall be considered as "related parties" for the purposes of this Direction. In this regard, there shall be a named list of natural persons/institutions identified as related parties, which is subject to periodic review as and when the need arises. a) Directors and senior management. b) Shareholders who directly or indirectly holds more than 10% of the voting rights of the FC. c) Subsidiaries, associates, affiliates, holding company, ultimate parent company and any party (including their subsidiaries, associates and affiliates) that the FC exert control over or vice versa. d) Directors and senior management of legal persons in paragraph (b) or (c). e) Relatives of a natural person described in paragraph (a), (b) or (d) f) Any concern in which any of the FC's directors, senior management or a relative of any of the FC's director or senior management or any of its shareholders who has a shareholding directly or indirectly more than 10% of the voting rights has a substantial interest.	A Board-approved related party transaction policy is in place, which addresses various types of related party transactions in accordance with the relevant directives. The purpose of this policy is to prevent any conflicts of interest that may arise from such transactions involving the identified related parties. In this regard, the company maintains a name list of the identified related parties.	

Section	Direction	Status of Compliance	Reference to Annual Report
12.3.	The committee shall ensure that the FC does not engage in business transactions with a related party in a manner that would grant such party "more favorable treatment" than that is accorded to other similar constituents of the FC. For the purpose of this paragraph, "more favorable treatment" shall mean: a) Granting of "total accommodation" to a related party, exceeding a prudent percentage of the FCs regulatory capital, as determined by the committee. b) Charging of a lower rate of interest or paying a rate of interest exceeding the rate paid for a comparable transaction with an unrelated comparable counterparty. c) Providing preferential treatment, such as favorable terms, that extends beyond the terms granted in the normal course of business with unrelated parties. d) Providing or obtaining services to or from a related party without a proper evaluation procedure; or e) Maintaining reporting lines and information flows between the FC and any related party which may lead to share proprietary, confidential or otherwise sensitive information that may give benefits to such related party, except as required for the performance of legitimate duties and functions.	A monitoring system is in place at the Company where the Company extracts quarterly reports on all related party transactions which are reviewed by the committee to ensure that the Company does not grant related parties more favorable treatment than accorded to other customers.	
13.	**GROUP GOVERNANCE**		
13.1.	**Responsibilities of the FC as a Holding Company**		
	a) The FC is responsible for exercising adequate oversight over its subsidiaries and associates while complying with the independent legal, regulatory and governance responsibilities that apply to them. b) The Board of the FC shall: i) Ensure that the group governance framework clearly defines the roles and responsibilities for the oversight and implementation of group-wide policies. ii) Ensure that the differences in the operating environment, including the legal and regulatory requirements for each company, are properly understood and reflected in the group governance framework. iii) Have in place reporting arrangements that promote the understanding and management of material risks and developments that may affect the holding FC and its subsidiaries.	The Board has established a group governance framework to ensure adequate oversight over its group, in compliance with the regulatory requirements. The purpose of this group governance framework is to ensure that Commercial Credit and Finance PLC (CCL) as a holding company exercises adequate oversight over its subsidiaries and associates, while complying with independent legal, regulatory, and governance responsibilities. Currently, the company has one subsidiary named AMW Insurance Brokers Private Limited and one associate company named TVS Lanka Private Ltd.	

CORPORATE GOVERNANCE

Section	Direction	Status of Compliance	Reference to Annual Report
	iv) Assess whether the internal control framework of the group adequately addresses risks across the group, including those arising from intra-group transactions; and v) Ensure that there are adequate resources to effectively monitor compliance of the FC and its subsidiaries with all applicable legal and regulatory requirements. c) The FC, as the apex entity, shall ensure that the group structure does not undermine its ability to exercise effective oversight. The Board shall establish a clearly defined process of approving the creation of new legal entities under its management and identifying and managing all material group-wide risks through adequate and effective policies and controls. d) The Board and senior management of the FC shall validate that the objectives, strategies, policies and governance framework set at the group level are fully consistent with the regulatory obligations of the FC and ensure that company-specific risks are adequately addressed. e) The FC shall avoid setting up complicated structures that lack economic substance or business purpose that can considerably increase the complexity of the operations.		
13.2.	**Responsibilities as a Subsidiary**		
	If the FC is a subsidiary of another financial institution subject to prudential regulation, FC shall discharge its own legal and governance responsibilities.	The company is not a subsidiary of another financial institution and the company discharge its own legal and governance responsibilities.	
14.	**CORPORATE CULTURE**		
14.1.	A FC shall adopt a Code of Conduct which includes the guidelines on appropriate conduct and addresses issues of confidentiality, conflicts of interest, integrity of reporting, protection and proper use of company assets and fair treatment of customers.	The company has established an Ethical Framework that provides awareness and guidance on the values of Commercial Credit, corporate governance practices, good business ethics, professionalism, and the expected behaviors when fulfilling duties and responsibilities. The Ethical Framework also outlines breaches and their consequences.	
14.2.	The FC shall maintain records of breaches of code of conduct and address such breaches in a manner that upholds high standards of integrity.	The company has adopted Human Resource Operating Procedure and all the breaches are addressed in accordance with the said procedure. Further, the company maintain records of breaches.	
14.3.	A FC shall establish a Whistleblowing policy that sets out avenues for legitimate concerns to be objectively investigated and addressed. Employees shall be able to raise concerns about illegal, unethical or questionable practices in a confidence manner and without the risk of reprisal. The BAC shall review the policy periodically.	The company has adopted Whistleblowing policy and the BAC has reviewed the policy regularly.	

Section	Direction	Status of Compliance	Reference to Annual Report
15.	**CONFLICTS OF INTEREST**		
15.1.	a) Relationships between the directors shall not exercise undue influence or coercion. A director shall abstain from voting on any Board resolution in relation to a matter in which such director or any of the relatives or a concern in which such director has substantial interest, is interested, and such director shall not be counted in the quorum for the relevant agenda item in the Board meeting. b) The Board shall have a formal written policy and an objective compliance process for implementing the policy to address potential conflicts of interest with related parties. The policy for managing conflicts of interest shall, i. Identify circumstances which constitute or may give rise to conflicts of interests. ii. Express the responsibility of directors and senior management to avoid, to the extent possible, activities that could create conflicts of interest. iii. Define the process for directors and senior management to keep the Board informed on any change in circumstances that may give rise to a conflict of interest. iv. Implement a rigorous review and approval process for director and senior management to follow before they engage in certain activities that could create conflicts of interest. v. Identify those responsible for maintaining updated records on conflicts of interest with related parties, and vi. Articulate how any non-compliance with the policy to be addressed.	The Board has adopted Conflict of Interest policy which has ensured the compliance with the stipulated requirements	
16. **16.1.**	The Board shall ensure that: (a) annual audited financial statements and periodical financial statements are prepared and published in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards, and that (b) such statements are published in the newspapers in Sinhala, Tamil and English. The Board shall ensure that at least following disclosures are made in the Annual Report of the FC.	Annual audited financial statements and interim financial statements were prepared in accordance with formats prescribed by the supervisory and regulatory authorities and accounting standards and are published in the newspapers in all three languages.	
	i. Financial statements		
	In addition to the set of financial statements as per LKAS 1 or applicable standard annual report shall include, • A statement to the effect that the annual audited financial statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures.	This is being disclosed in the report of the Board of Directors on the Affairs of the Company.	Refer Pages 85-86

CORPORATE GOVERNANCE

Section	Direction	Status of Compliance	Reference to Annual Report
	• A statement of responsibility of the Board in preparation and presentation of financial statements.		
	ii. Chairperson, CEO and Board related disclosures		
	• Name, qualification and a brief profile. • Whether executive, non-executive and/or independent director. • Details of the director who is serving as the senior director, if any. • The nature of expertise in relevant functional areas.	Refer "Profiles of the Board Of Directors" in this annual report.	Refer Pages 16-19
	• Relatives and/or any business transaction relationships with other directors of the company.	The Chief Executive Officer (CEO) has a business relationship with a Non-Executive Director of the company where such Non-Executive Director and CEO serve on the Board of Asia Pacific Institute of Information Technology Ltd. The CEO of the Company is the spouse of an Executive Director of the Company. Except that there are no business relationships with other Directors of the Company.	
	• Names of other companies in which the director/ CEO concerned serves as a director and whether in an executive or non-executive capacity.	Refer "Profiles of the Board Of Directors" in this annual report.	Refer Pages 16-19
	• Number/percentage of board meetings of the FC attended during the year; • Names of board committees in which the director serves as the chairperson or a member.	Refer record of the attendance at Board meetings and Board Sub-Committee meetings.	Refer Page 50
	iii. Appraisal of board performance		
	• An overview of how the performance evaluations of the Board and its committees have been conducted	A procedure is in place for self-assessments to be conducted annually by each Director, as well as for the Board as a whole and its committees. These assessments are undertaken to evaluate the effectiveness and performance of the Board and its committees. The records of these assessments are maintained by the Company Secretary.	
	iv. Remuneration		
	• A statement on remuneration policy, which includes Board fee structure and breakdown of remuneration of senior management, level and mix of remuneration (financial and non- financial, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation)	The Board approved Remuneration policy is in place for the Executive directors and for Senior Management. The Remuneration Policy ensured that payment of remuneration (salaries, allowances and other financial payments) to all employees of the Company is by considering the individual performances, adherence to the Company's purpose and values, the performance of the Company as a whole and industry best practices. Non-Executive Directors remuneration is governed by the board approved Non-Executive Directors Remuneration Policy and is under the purview of the BHRRC and approved by the Board. Further please refer report of the BHRRC.	Refer Page 89

Section	Direction	Status of Compliance	Reference to Annual Report
	• The aggregate values of remuneration paid by the FC to its directors and senior management.	Refer the Report of the Board of Directors on the Affairs of the Company and notes to the financial statements on related party transactions in this annual report for the director's remuneration details. Remuneration paid to Management KRPs (including Executive Directors): Rs. 238,928,067/-	Refer Pages 86 and 194
	v. Related party transactions		
	• The nature of any relationship [including financial, business, family or other material/relevant relationship(s)], if any, between the Chairperson and the CEO and the relationships among members of the Board.	The Chairman/ Non-Executive Director has a business relationship with the CEO of the company where the Chairman and CEO serve on the Board of Asia Pacific Institute of Information Technology Ltd. Except that the Chairman has no financial or any other relationship with any other member of the Board. The CEO of the Company is the spouse of an Executive Director of the Company	
	• Total net accommodation granted in respect of each category of related parties and the net accommodation outstanding in respect of each category of related parties as a percentage of the FC's core capital.	(see table below)	

Category	Net accommodation granted (Rs.)	Outstanding (Rs.)	% Core capital
Directors and other KRPs	27,092,343	23,665,731	0.13%
Subsidiaries, associates, affiliates, holding company, ultimate parent	-	1,579,911	0.008%
Relatives of KRPs	3,905,142	2,975,847	0.016%

Section	Direction	Status of Compliance	Reference to Annual Report
	• The aggregate values of the transactions of the FC with its senior management during the financial year, set out by broad categories such as accommodation granted, and deposits or investments made in the FC.	Remuneration paid to Management KRPs (including Executive Directors) – Rs. 238,928,067/- Accommodations granted to Management KRPs - Rs. 27,092,343 Deposits made by Management KRPs (including Executive Directors) : Rs. 107,169,037	
	vi. Board appointed committees		
	• The details of the chairperson and members of the board committees and attendance at such meetings.	Refer to the Board committee reports and attendance at Board meetings and Board Sub-Committee meetings.	Refer pages 50 & 87-92
	vii. Group Structure		
	• The group structure of the FC within which it operates. • The group governance framework.	The Board has established group governance framework for exercising adequate oversight over its group in accordance with the regulatory requirements. The purpose of this group governance framework is to ensure that Commercial Credit and Finance PLC (CCL) as a holding company exercises adequate oversight over its subsidiaries and associates, while complying with independent legal, regulatory, and governance responsibilities. Currently, the company has one subsidiary named AMW Insurance Brokers Private Limited and one associate company named TVS Lanka Private Ltd.	

Section	Direction	Status of Compliance	Reference to Annual Report
	viii. Director's report		
	A report, which shall contain the following declarations by the Board: • The FC has not engaged in any activity, which contravenes laws and regulations. • The directors have declared all related party transactions with the FC and abstained from voting on matters in which they were materially interested. • The FC has made all endeavors to ensure the fair treatment for all stakeholders, in particular the depositors. • The business is a going concern with supporting assumptions; and • The Board has conducted a review of internal controls covering material risks to the FC and have obtained reasonable assurance of their effectiveness.	Refer Annual Report of the Board of Directors on the Affairs of the Company	Refer Pages 85-86
	ix. Statement on Internal Control		
	• A report by the Board on the FC's internal control mechanism that confirms that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements. • The external auditor's assurance statement on the effectiveness of the internal control mechanism referred above, in respect of any statement prepared or published. • A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any non-compliances. • A statement of the regulatory and supervisory concerns on lapses in the FC's risk management, or non-compliance with the Act, and rules and directions	Refer Directors Statement on Internal Control Over Financial Reporting.	Refer Pages 95-96
	x. Corporate governance report		
	• Shall disclose the manner and extent to which the company has complied with Corporate Governance Direction and the external auditor's assurance statement of the compliance with the Corporate Governance Direction.	The Corporate Governance report is disclosed in this annual report. The Company has obtained an independent assurance statement (factual findings report) from the External Auditors over compliance with Finance Business Act Direction No. 05 of 2021 on Corporate Governance.	Refer Pages 51-81

Section	Direction	Status of Compliance	Reference to Annual Report
	xi. Code of Conduct		
	• FC's code of business conduct and ethics for directors, senior management and employees. • The Chairperson shall certify that the company has no violations of any of the provisions of this code.	The company has established an Ethical Framework that offers awareness and guidance to the company on the values of Commercial Credit, corporate governance practices, good business ethics, professionalism, and the connected behaviors required to demonstrate when carrying out duties and responsibilities. The framework also defines breaches and their consequences. Furthermore a Board Directors Engagement Charter is in place. Please refer to the Chairperson's message.	Refer Pages 10-12
	xii. Management report		
	• Industry structure and developments	Refer Management Discussion & Analysis of the annual report.	Refer Pages 30-45
	• Opportunities and threats • Risks and concerns	Refer Sustainability Report of the annual report	Refer Pages 34-37
	• Sustainable finance activities carried out by the company • Prospects for the future	Refer CEO' Review report of the annual report	Refer Pages 13-15
	xiii. Communication with shareholders		
	• The policy and methodology for communication with shareholders.	The Board approved policy on communications with the relevant stakeholders is in place.	
	• The contact person for such communication.	The Company Secretary communicates with shareholders through the Annual Report, Quarterly Reports, and notices issued to the shareholders. Further, shareholder meetings are chaired by the Chairman of the Board of Directors of the company wherever possible. If the Chairman is unable to attend the meeting, a Chairman for the meeting will be appointed as per the Articles of Association	

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COMPLIANCE WITH THE CONTINUING LISTING REQUIREMENTS SECTIONS 7.6 & 7.10 ON CORPORATE GOVERNANCE RULES FOR LISTED COMPANIES ISSUED BY THE COLOMBO STOCK EXCHANGE.

Rule No.	Disclosure Requirement	Section/Reference
7.6 (i)	Names of the Directors who held duties during the financial year	Refer Page 50
7.6 (ii)	Principal activities of the Company and its subsidiaries during the year and any changes therein	Refer Note 01 of the Audited Financial Statements in this Annual Report
7.6 (iii)	The names and the number of shares held by the 20 largest holders of voting and non- voting shares and the percentage of such shares held	Refer Pages 199-200
7.6 (iv)	The public holding percentage	Refer Page 201
7.6 (v)	Directors' and Chief Executive Officer's holding in shares of the Company at the beginning and end of the financial year	Refer Page 201
7.6 (vi)	Information pertaining to material foreseeable risk factors	Refer Pages 40-45
7.6 (vii)	Details of material issues pertaining to employees and industrial relations	There were no material issues pertaining to employees and industrial relations
7.6 (viii)	Extents, locations, valuations and the number of buildings of the Company's land holdings and investment properties	Refer Note 18 and 19 of the Audited Financial Statements in this Annual Report
7.6 (ix)	Number of shares representing the stated capital	Refer Page 199
7.6 (x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings	Refer Page 199
7.6 (xi)	Ratios and market price information:	
	• Equity 1. Dividend per share 2. Dividend pay out 3. Net asset value per share 4. Market value per share (highest and lowest values recorded during the financial year and value as at the end of financial year)	Refer Page 201
	• Debt (only if listed) 1. Interest rate of comparable government security 2. Debt/equity ratio 3. Interest cover 4. Quick asset ratio 5. Debt Service Coverage Ratio (where applicable) 6. The market prices and yield during the year 7. Any changes in credit rating	Refer Page 202
7.6 (xii)	Significant changes in the Company's or its subsidiaries' fixed assets and the market value of land, if the value differs substantially from the book value	Not Applicable
7.6 (xiii)	Details of funds raised through an Initial Public issue, Rights Issue and private Placement	Not Applicable

Rule No.	Disclosure Requirement	Section/Reference
7.6 (xiv)	Information in respect of Employee Share Ownership or Stock Option Scheme • Total number of shares allotted during the financial year • Price at which shares were allotted • Highest, lowest & closing price of the share recorded during the financial year • Details of funding granted to employees (if any)	Not Applicable
7.6 (xv)	Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 c. and 7.10.6 c. of Section 7 of the Rules	Company is in compliance with the Corporate Governance requirement of the listing rules (sec. 7.10) issued by the Colombo Stock Exchange (CSE). Further please refer "Report of the Board of Directors on the Affairs of the Company", "Report of the Board Audit Committee", "Report of the Board Human Resource & Remuneration Committee", "Report of the Board Integrated Risk Management Committee" and Corporate Governance section in this Annual Report.
7.6 (xvi)	Related Party transactions exceeding ten (10) percent of the Equity or five (5) percent of the total assets of the Entity as per Audited Financial Statements, whichever is lower	Not applicable as there were no related party transactions that have exceeded the stipulated limit.
7.6 (xvii)	Additional disclosures in the event the company has its Foreign Currency denominated Securities listed on the Exchange,	Not applicable
7.10.1	**Non-Executive Directors**	
7.10.1 (a-c)	Two or one-third of the Directors, whichever is higher, should be Non-Executive Directors. The total number of Directors is to be calculated based on the number as at the conclusion of the immediately preceding Annual General Meeting. Any change occurring to this ratio shall be rectified within ninety (90) days from the date of the change.	More than half of the Board members are Non-Executives.
7.10.2	**Independent Directors**	
7.10.2 (a-b)	Two or one-third of Non-Executive Directors, whichever is higher, should be independent. Each Non-Executive Director should submit a declaration of independence/ non-independence in the prescribed format.	One-third of the Board members are Independent, and each Non-Executive director has submitted declarations
7.10.3	**Disclosures Relating to Directors**	
7.10.3 (a)	The Board shall make determination of Independence/Non-Independence annually and Names of Independent Directors should be disclosed in the Annual Report.	Refer page 50
7.10.3 (b)	In the event a Director does not qualify as independent as per the rules on Corporate Governance but if the Board is of the opinion that the Director is nevertheless independent, it shall specify the basis of the determination in the Annual Report.	No such circumstance transpired during the reporting period.
7.10.3 (c)	A brief resume of each Director should be published in the Annual Report including the areas of expertise	Refer pages 16-19

CORPORATE GOVERNANCE

Rule No.	Disclosure Requirement	Section/Reference
7.10.3 (d)	A brief resume of any new Director appointed to the Board should be provided to the Exchange for dissemination to the public.	Information relating to new appointments to the Board is disclosed to the Colombo Stock Exchange, when appointments are made.
7.10.4	**Criteria For Defining of Independence**	
7.10.4 (a-h)	Requirements for meeting criteria to be independent.	All Independent Directors of the Company met the criteria for independency specified in this Rule.
7.10.5	**Remuneration**	
7.10.5 (a)	A listed Company shall have a Remuneration Committee. The remuneration committee shall comprise a minimum of two Independent Non-Executive Directors or of Non-Executive Directors a majority of whom shall be independent, whichever shall be higher.	The Human Resource and Remuneration Committee comprises Non-Executive Directors, with the majority of them being independent.
7.10.5 (b)	Functions of Remuneration Committee shall be to recommend the remuneration of the Chief Executive Officer and the Executive Directors.	Please refer Human Resource and Remuneration Committee report on page 89
7.10.5 (c)	The Annual Report shall set out; I. The names of the Directors that comprise the remuneration Committee; II. A statement of remuneration policy; III. Aggregate remuneration paid to Executive and Non- Executive Directors.	Please refer Human Resource and Remuneration Committee report on page 89. Remuneration paid to Directors is given in page 86.
7.10.6	**Audit Committee**	
7.10.6 (a)	The Audit Committee shall comprise a minimum of two Independent Non-Executive Directors or a majority of Independent Non-Executive Directors whichever is higher. One Non-Executive Director shall be appointed as Chairman of the Audit Committee by the Board. The Chief Executive Officer and Chief Financial Officer shall attend Audit Committee meetings. The Chairman or one member of the Committee should be a member of a recognize professional accounting body.	As at the year-end, the Board Audit Committee comprises three Non-executive Directors, the majority of whom are Independent. Please refer to the Board Audit Committee report on pages 87-88.
7.10.6 (b)	Function The functions of the Audit Committee shall be as set out in section 7.10 of the Listing Rules.	Please refer Board Audit Committee report on pages 87-88
7.10.6 (c)	Disclosure in the Annual Report Annual Report shall set out; The names of the Directors who comprise the Audit Committee The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination A report by the Audit Committee setting out the manner of compliance of the functions set out in section 7.10 of the Listing Rules	Please refer Board Audit Committee report on pages 87-88
7.10.7	Enforcement Procedure for Non-Compliance with Corporate Governance Requirements	Not applicable

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

The directors have pleasure in presenting to the shareholders the annual report of the board of directors (the "Board) for the year ended 31st March, 2023. This report contains information conforming to the requirements under the Companies Act No. 7 of 2007 (the "Companies Act") and other information required by the Listing Rules of the Colombo Stock Exchange (the "Listing Rules").

PRINCIPAL ACTIVITIES

The principal activities of Commercial Credit and Finance PLC (the "Company") are accepting deposits, granting of leasing facilities, hire purchase facilities, personal loans, micro finance loans, gold loans and other credit facilities.

CHANGES TO THE NATURE OF BUSINESS

There were no significant changes to the principle activities of the Company during the financial year ended 31st March, 2023.

FINANCIAL STATEMENTS

The financial statements for the year ended 31st March, 2023 are set out in this annual report.

DIRECTOR'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors are responsible for preparing and presenting the financial statements, as set out in this annual report. The financial statements have been prepared in conformity with the Sri Lanka Accounting Standards set by the Institute of Chartered Accountants of Sri Lanka and are in compliance with the requirements of the Companies Act.

The directors are of the view that the financial statements give a true and fair view of the state of affairs of the Company and of the profit for the year then ended.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the financial statements are given on pages 110 to 127. The Directors consider that, in preparing these financial statements, suitable accounting policies have been used which are applied consistently and supported by reasonable and prudent judgment and that all applicable accounting standards have been followed. The financial statements are prepared on a Going Concern basis.

CORPORATE GOVERNANCE

The Board ensures that the Company's corporate governance framework remain robust and relevant. The corporate governance practices within the Company are set out in pages 48 to 84 of this report

DIRECTORS

The names and the profiles of the directors as who held office during the year are set out on Pages 16 to 19.

RELATED PARTY TRANSACTIONS

The Related Party Transaction Review Committee considers all transactions that require approval, in line with the Company's Related Party Transaction Policy and in compliance with section 9 of the Listing Rules, Sri Lanka Accounting Standard and the Directions issued by the Central Bank of Sri Lanka and are disclosed in Note 52 to the financial statements.

Further, the directors have abstained from voting on matters, if any, in which they were materially interested as related party.

INTEREST REGISTER

An interest register is being maintained as required by the Companies Act.

DIRECTORS' SHAREHOLDING

The shares held by the directors at the beginning and at the end of the financial year were as follows. (The Articles of Association of the Company do not stipulate a share qualification for directors):

Name of director	As at 31st March 2022	As at 31st March 2023
E.D.P. Soosaipillai (resigned on 01.11.2022)	Nil	Nil
R.S. Egodage	Nil	Nil
G.R. Egodage	Nil	Nil
P.S.R. Casie Chitty	429,808	429,808
K.D. Vander Weele (resigned on 31.12.2022)	Nil	Nil
L.S. Wickremasinghe	Nil	Nil
T.M.L. Paktsun	Nil	Nil
R. Saravanamuttu (resigned on 12.11.2022)	Nil	Nil
G.A.M. Edwards	Nil	Nil
G.B. Egodage	Nil	Nil
D. Malfar (appointed on 01.07.2022)	Nil	Nil
F. Solbani (appointed on 01.01.2023)	Nil	Nil
W. D. Barnabas (appointed on 01.02.2023)	Nil	Nil
J.P.Kuruppu (appointed on 01.08.2023)	N/A	N/A

There are no Company debentures held by the directors

PROPERTY, PLANT & EQUIPMENT

The details of the property, plant & equipment of the Company, additions during the year and the depreciation charges for the year are shown in Note No. 19 to the financial statements. The directors consider the market value of the property, plant & equipment as at 31st March, 2023 not to be significantly different to the amounts disclosed.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

STATED CAPITAL

The stated capital of the Company remains at LKR 2,150,640,315/- consisting of 318,074,365 Ordinary (Voting) Shares. The shares of the Company are listed on the Colombo Stock Exchange (CSE).

EQUITABLE TREATMENT FOR STAKEHOLDERS

The Directors declare that the Company made endeavors to ensure the fair treatment for all Stake holders including shareholders and depositors.

GOING CONCERN

The Board of Directors is satisfied that the Company can continue its operations in the foreseeable Future.

SHAREHOLDERS

The total shareholder base of the Company as at 31st March, 2023 was 2,500. The distribution of the shareholding and a list of the 20 major shareholders are given under Investor Information in pages 199 to 200 of this report.

STATUTORY PAYMENTS

The directors, to the best of their knowledge and belief are satisfied that all statutory payments had been made up to date.

DONATIONS

During the year the Company has made LKR 1,694.098/- as charitable contributions (2022 LKR 1,190,158/-)

DIRECTOR'S FEES & EMOLUMENTS

Directors' fees and emoluments for the financial year ended 31st March, 2023, was LKR 16,310,000/- (2022–LKR 11,310,000/-).

COMPLIANCE

We certify that the Company complies with the prudential requirements, regulations, laws and internal controls and are taking measures to rectify any non-compliance. Further, we declare that the Company has not engage in any activity which contravenes laws and regulations.

AUDITORS

The financial statements for the period under review have been audited by Messers Ernst & Young, Chartered Accountants and the audit report is set out in pages 100 to 103 of this report.

The audit & audit related fees and non-audit fees payable to Ernst & Young for the year under review amounted to LKR 7,440,000/- and LKR Nil respectively.

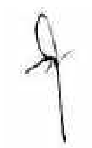
As far as the directors are aware, the auditors do not have any relationship other than that of an auditor with the Company or any of its subsidiaries.

A resolution re-appointing Ernst & Young. Chartered Accountants as the auditors of the Company and authorizing the directors to determine their remuneration will be proposed at the annual general meeting.

By Order of the Board.

Corporate Services (Private) Limited
Secretaries

31st July 2023
Colombo



G.B.Egodage
Chairman

R. S. Egodage
Director

REPORT OF THE BOARD AUDIT COMMITTEE

The Board audit Committee (BAC) exercises oversight over financial reporting, internal audit, internal controls and external audit and supports the Board in discharging its responsibilities. The Charter of the BAC approved by the Board clearly defines the Terms of Reference of the Committee and regulates the composition, role and responsibilities of the BAC.

The Committee is empowered by the Board to:

- Ensures that financial reporting systems in place are effective and well managed in order to provide accurate, appropriate and timely information to the Board, Regulatory Authorities, the Management and other stakeholders.
- Review the adequacy and effectiveness of accounting policies, financial and other internal controls and the financial reporting process
- Exercise independent oversight of the Company's external and internal audit functions and ensures the independence and effectiveness of both audit functions.
- Review Company compliance with relevant legal and regulatory requirements and accounting standards in the preparation and presentation of financial information and monitor the integrity of the Financial Statements and other reports issued by the Company in terms of disclosure requirements.

COMPOSITION OF THE COMMITTEE

The Committee consists of three Non-Executive Directors, the majority of whom are independent. Ms. T.M.L. Paktsun an Independent Director is the Chairperson and the other members are Mr. L.L. S. Wickramasinghe and Mr. G.B. Egodage. Brief profiles of the Members are given on pages 16 to 18 of the Annual Report.

The Committee held 13 meetings during the year ended 31st March 2023.The proceedings of these meetings are regularly reported to the Board.

The Committee invited members of the senior management team to participate on a need's basis including the Head of Internal Audit, the Chief Executive Officer, the Deputy Chief Executive Officer the Chief Operating Officer, the Chief Financial Officer, the Chief Risk Officer and the Compliance Officer. The Company's External auditors and members of the Operational Management team are also invited to participate when deemed necessary.

ACTIVITIES DURING THE YEAR

Financial Reporting, risks and internal controls

- The Committee supported the Board in its oversight of the preparation of the financial statements by ensuring the statements were prepared in accordance with the Company's accounting records and in compliance with the provisions of Sri Lanka Accounting Standards and the Companies Act No7 of 2007
- The Committee ensured that the accounting policies and practices are appropriate and adequate internal controls and procedures were in place to provide reasonable assurance that the financial reporting system is effective and provides reliable and timely information.
- The Committee reviewed the impact of adopting new accounting standards, the accounting treatment of significant risks and uncertainties and key estimates and judgments material to the Company's financial reporting and whether disclosures made in the published financial statements were adequate and appropriate
- The Committee satisfied itself that adequate internal controls and procedures are in place to provide reasonable assurance that the Company's assets are safeguarded.
- The committee placed additional focus on prevailing macro-economic challenges and its impact on financial reporting process. Internal models were refined with updated underlying assumptions, management overlays computed to address the impact of the challenging macro-economic conditions arising from the political and economic crisis faced by the country during the year.
- The Committee met with the Chief Financial Officer and the senior finance team twice during the year, in the absence of the Management to ensure the independence of the financial reporting function.

INTERNAL AUDIT

- Reviewed the independence, objectivity and performance of the internal audit function, the findings of internal audits completed and their assessment of the Company's internal control system.
- Reviewed and approved the internal annual audit plan for the year and evaluated the adequacy and frequency of coverage.
- Reviewed the internal audit reports and significant findings with management responses and the status of implementation on a regular basis.
- Evaluated the Internal Audit function covering key areas such as scope, quality of internal audits, independence and resource availability.
- The Committee met with the Head of Internal Audit and Senior Internal Audit staff in the absence of the Management twice during the year to ensure independence of the Internal Audit function.

EXTERNAL AUDIT

- Assisted the Board in engaging External Auditors for audit services, in compliance with regulatory provisions.
- Monitored and assessed the independence, objectivity and effectiveness of the External Auditor

REPORT OF THE BOARD AUDIT COMMITTEE

and recommended their re-appointment and remuneration for shareholder approval.

- Discussed the audit plan, scope and the methodology proposed to be adopted in conducting the audit with the Auditor prior to commencement of the annual audit.

- Discussed all relevant matters arising from the interim and final audits, together with the Management Letter and management responses thereto.

- The Committee met the External Auditor twice during the year in the absence of the Management to ensure that the Auditors had the independence to discuss and express their opinion on any matter and that there was no limitation of scope in relation to the audit. It provided assurance to the Committee that there was no cause for concern.

- Reviewed the non-audit services provided by the auditors, ensuring such assignments do not fall within the restricted services and the provision of such services would not impair the external auditor's independence and objectivity.

COMMITTEE EFFECTIVENESS

The Committee completed the annual evaluation process with a self-assessment in March 2023 and concluded that the Committee continues to operate effectively.

T.M.L. Paktsun
Chairperson – Board Audit Committee

22nd May 2023
Colombo

REPORT OF THE BOARD HUMAN RESOURCE AND REMUNERATION COMMITTEE

The Board Human Resource and Remuneration Committee appointed by the Board of directors consists of three (3) Non-Executive Directors. Mr. G. B. Egodage , Non-Executive Director is the Chairperson of the Committee. Ms. T.M.L. Paktsun, Independent Non-Executive Director , and Ms. G. Edwards , Independent Non-Executive Director, are the other two members.

Brief profiles of the Members are given on pages 16 to 19 of the Annual Report.

The Committee is independent of the Management and free from any business, personnel or any other relationships that may interfere in making independent judgments.

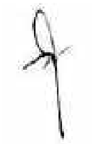
During the year under review, 4 Committee meetings were held and the attendance of the members at these meetings is given on page 50 of this Report.

The Committee is responsible to the Board for reviewing the remuneration of the Executive Director/Chief Executive Officer and to recommend appropriate remuneration benefits and other payments.

The Committee established a non-discriminatory remuneration policy for all members of the Board of Directors so far as their contributions on the Board and their participation and leadership of the Board Sub-Committees are concerned. This policy will be reviewed as required.

The Committee shall consider / evaluate the performance of the CEO against the targets and goals set and determine the basis for revising the remuneration, increments, bonuses and other performance-based incentives of the CEO.

The Committee has met since reconstitution where necessary, and a signed statement by the Chairman of the Committee on the matters highlighted at the meeting and included in the minutes are tabled at Board meetings as appropriate. Recommendations made by the Committee are discussed at Board meetings and the final determination based on such recommendations if any is required, is made by the Board of Directors.



G. B. Egodage
Chairperson – Board Human Resource and Remuneration Committee

19th May 2023
Colombo

REPORT OF THE BOARD NOMINATION COMMITTEE

The Board Nomination Committee appointed by the Board of Directors consists of three (3) Non-Executive Directors. Mr.L.L.S.Wickremasinghe, Independent Non-Executive Director/Senior Director is the Chairperson of the Committee. Ms. T.M.L.Paktsun, Independent Non-Executive Director, and Mr.G.B.Egodage, Non-Executive Director, are the other two members.

Brief profiles of the Members are given on pages 16 to 19 of the Annual Report.

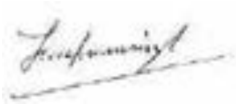
The Committee is independent of the Management and free from any business, personnel or any other relationships that may interfere in making independent judgments.

During the year under review, 7 Committee meetings were held and the attendance of the members at these meetings is given on page 50 of this Report.

The Committee supports the Board in fulfilling its statutory and fiduciary responsibilities relating to the selection/ appointment of new Directors, re-appointment of current Directors, selection and appointment of the CEO and the Executive Directors and senior management to ensure the highest levels of Corporate Governance in the Company and among members of the Board of Directors.

Whilst exercising general oversight with respect to the corporate governance by the Board of Directors, the Committee also considers and recommends succession arrangements from time to time for the retiring Directors, the Chief Executive Officer, Executive Directors and senior management taking into account the additional/new expertise required. The Committee regularly reviewed the structure, size, composition including gender representation and competencies (including the skills, knowledge and experience) of the Board members and made recommendations to the Board with regard to any changes.

The Committee reviewed and recommended to the Board for approval the Board and Board Sub-Committee's composition in compliance with the listing rules of the CSE and the regulations of the CBSL, established a procedure for the conduct of Board and Board Sub-Committee meetings and reviewed the management's responses and those of the External Auditors on matters of Corporate Governance.



L.L.S. Wickremasinghe
Chairman- Board Nomination Committee

19th May 2023
Colombo

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

COMPOSITION OF THE COMMITTEE

The Board Related Party Transactions Review Committee (the Committee) of the Company was established as a Board Sub- Committee on 22nd September 2015. The scope of the committee is to ensure compliance with the rules set out in the Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka.

The Committee appointed by the Board of directors consists of three non-executive directors. Ms T M L Paktsun an Independent Director is the Chairperson of the Committee. Mr L L S Wickremasinghe and Mr G B Egodage are the other two members.

Brief profiles of the Directors representing the Committee are given on pages 16 to 19.

The Committee held four meetings during the year under review. The proceedings of the Committee meetings were regularly reported to the Board of Directors.

PURPOSE OF THE COMMITTEE

The Committee was formed to assist the Board in reviewing all related party transactions carried out by the company and is governed by the Terms and References approved by the Board of Directors. The Committee reviewed The Related Party Transactions Review Charter in June 2022 and recommended changes to better align the Charter with the relevant provisions of the of the Listing rules of the CSE and other rules and regulations applicable to the Company.

The mandate of the committee includes

- Reviewing to evaluate and consider all transactions with related parties (except those expressly exempted by Listing Rule 9.5 of the CSE) in order to ensure that transactions with related parties are on normal commercial terms and not better than the best terms afforded to other non-related parties.

- Determining whether Related Party Transactions that are to be entered into by the company require Board or shareholder approval

- Establishing guidelines for recurrent related party transactions for senior management to follow in its ongoing dealings with the related parties

- Ensuring immediate market disclosures and disclosures in the Annual Report as required by rules /regulations are made on a timely manner.

SCOPE OF OPERATION

The committee has ensured that a company has the necessary processes to identify, review and disclose Related Party transactions.

The monitoring of the system in place to capture information on Related Party Transactions and to ascertain that these transactions and dealings are in strict conformity with Statutory and Regulatory requirements the Company is obliged to adhere to.

The monitoring of the system in place to obtain a comprehensive list of Related Parties based on latest available declarations by Directors and Key Responsible Personnel.

The review of the quarterly Reports on Related Party Transactions presented to the Committee by comparing Related Party Transactions with benchmarked criteria applicable for Non-Related Party Transactions, to evaluate and determine that related Parties have not received more favourable or preferential consideration.

The Committee has the right to access as well as the right to call for clarifications and explanations from the Management and Auditors on any related matter.

RELATED PARTY TRANSACTIONS DURING THE PERIOD

Details of Related Party Transactions are disclosed under Note No. 52 to the financial statements in this Annual Report

COMMITTEE EFFECTIVENESS

The committee completed the annual evaluation process with a self-assessment in March 2023 and concluded that the Committee operates effectively.

T.M.L. Paktsun
Chairperson-Related Party Transaction Review Committee

30th May 2023
Colombo

REPORT OF THE BOARD INTEGRATED RISK MANAGEMENT COMMITTEE

The Board's Integrated Risk Management Committee (BIRMC) has been established by the Board of Directors in compliance with the corporate governance for licensed non-bank financial institutions in Sri Lanka, issued by the Monitory Board of the CBSL. The composition and the scope of work of the committee are in line with the same, as set out in the BIRMC charter, and clearly sets out the membership, authority, duties and responsibilities of the committee.

The BIRMC assists the Board of Directors in fulfilling its responsibilities for overseeing the Company's risk management framework and activities, including the review of major risk exposures and the steps taken to monitor and control those exposures pertaining to the numerous risks faced by the company in its business operations. The Corporate Management is responsible for identifying relevant risks and notifying the BIRMC. Duties of the BIRMC include determining the adequacy and effectiveness of measures taken, and to ensure that the actual overall risk profile of the company conforms to the desirable risk appetite of the company, as approved by the Board.

The BIRMC is made up of three Independent Non-Executive Directors and One Non-Executive Director. Chief Executive Officer, an Executive Director and Members of the Corporate Management supervising broad risk categories are invitees of the meeting.

During the year under review the BIRMC was made up of the following:

- Mr. Lasantha Wickremasinghe- Independent Non-Executive Director - Chairman
- Ms.Tamara Paktsun- Independent Non-Executive Director
- Mr. Bandula Egodage- Non-Executive Director
- Ms. Gillian. Edwards- Independent Non-Executive Director

Brife profiles of the Directors are given on pages 16 to 19.

Twelve (12) Meetings of the BIRMC were held during the period under review and attendance of the Directors at these meetings is given in this Annual Report. All key risks such as credit, operational, market, liquidity, information technology, strategic, etc. are assessed by the BIRMC regularly through a set of defined risk indicators. The Committee works very closely with the Key Responsible Personnel and the Board in fulfilling its statutory, fiduciary, and regulatory responsibilities for risk management. The risk profile of the company is communicated to the Board of Directors periodically through the Risk Assessment Report submitted to the Board following each BIRMC meeting. A self-assessment of the effectiveness of the BIRMC was made by the members of the committee and assessments was conveyed to the Board of Directors.

ACTIVITIES IN 2022/2023

In discharging the above duties and responsibilities vested on the BIRMC, the Committee reviewed significant risks during the year. The activities carried out by the Committee are include below

- Main focus area for the year 2022/2023 was on the deteriorated credit quality level of the industry amidst the socio-economic challenges that the country is facing. Deliberations on sectors affected and the factors that are within the control of the Company to mitigate the associated risks were given due consideration with a view to arresting the deterioration of credit quality.
- Reviewed the update on Collections and recoveries
- Excess liquidity arising out of subdued credit growth, challenges stemming from rising interest rates attracted the attention of the Committee in most of the deliberations leading to formulation of strategies by the Management.
- Amidst the heightened cyber threats in the environment, the BIRMC focused on the progress of the key information security of the company which is included in data leakage prevention policy implementation.
- Reviewed periodic reports from the Management on the metrics used to measure, monitor and manage risks, including acceptable and appropriate levels of risk exposures.
- Improvements were recommended to the company's risk management framework and related policies and procedures as deemed suitable.
- Reviewed and revised the Terms of Reference of all Management Committees dealing with specific risks or some aspects of risk, such as Asset and Liability Committee and Executive Credit Committee. Actions initiated by the Senior Management were monitored periodically to verify the effectiveness of the measures taken by these respective Committees.
- Assessed the compliance function to ascertain the Company's compliance with laws, regulations, directions, rules, regulatory guidelines, internal controls and approved policies on all areas of business Operations
- Assessed the impact of changes in interest yield, gross loan portfolio, cost of funds, impairment charges and other key parameters by using a range of additional stress tests.
- Actions were taken to mitigate enhanced Cyber Risk and data leakage prevention by conducting periodic internal and external vulnerability assessments, timely patch upgrades/update databases, applications, middleware and operating systems, strengthen the security measures
- Live implementation has been completed in Credit Risk Rating Models to assess the Credit risk of the customer to support the customer for the credit decision.
- The Company's Risk Appetite limits were reviewed based on the strategic plan of the company.
- Involvement in the development of an Early Warning System to management for proactively access information regarding potential risks of the company.
- The Company's Credit Risk Management framework was further strengthened with the recent review and implementing credit delegation authority levels of the company.

On behalf of the Board Integrated Risk Management Committee,

Mr. Lasantha Wickremasinghe
Chairman – Board Integrated Risk Management Committee

21st June 2023

CEO'S & CFO'S RESPONSIBILITY STATEMENT

The Financial Statements of the Commercial Credit and Finance PLC (Company) as at 31 March 2023 are prepared and presented in compliance with the following regulatory requirements:

I. Sri Lanka Accounting Standards (SLFRS/ LKAS) issued by The Institute of Chartered Accountants of Sri Lanka

II. Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995

III. Companies Act No. 07 of 2007

IV. Finance Business Act No. 42 of 2011

V. Directions, circulars and guidelines issued to Licensed Finance Companies by the Central Bank of Sri Lanka

VI. Listing Rules of the Colombo Stock Exchange

The Accounting Policies of the Company are in compliance with Sri Lanka Accounting Standards (SLFRS's and LKAS's) issued by The Institute of Chartered Accountants of Sri Lanka and have been consistently applied by the Company.

Significant Accounting Policies and estimates that involve a high degree of judgment and complexity were discussed with the Board Audit Committee and the External Auditors. All significant items have been disclosed and explained by way of Notes to the Financial Statements.

We confirm to the best of our knowledge, that the Financial Statements presented herewith give a true and fair view of the financial position, Statement of Profit or Loss and the cash flows of the Company for the year ended 31 March 2023. We also confirm that the Company has adequate resources to continue its operations into the foreseeable future and accordingly adopt the going concern basis in preparing these Financial Statements.

We accept responsibility for the integrity and the objectivity of the Financial Statements. The estimates and judgments relating to the Financial Statements were made on a reasonable and prudent basis; in order that the Financial Statements reflect a true and fair view; the form and the substance of transactions and that the state of affairs of the Company is reasonably presented. To ensure this, the company has taken proper and sufficient care in implementing internal control systems, for safeguarding assets and for preventing and detecting fraud as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis. The Internal Auditor of the company has conducted periodic audits to provide reasonable assurance that the established policies and procedures of the company are consistently followed. However, there are inherent limitations that should be recognized in weighing the assurance provided by any system of internal control and accounting

The Financial Statements of the Company were audited by Messrs Ernst & Young, Chartered Accountants. The Report issued by them is available on pages 100 to 103 of this Report. The audit and non-audit services provided by Messrs Ernst & Young are approved by the Board Audit Committee, to ensure that the provision of such services does not contravene with the guidelines issued by the Central Bank of Sri Lanka or impair Messrs Ernst & Young's independence

The Board Audit Committee meets periodically with the internal audit team and the external auditor to review their audit plans and to discuss their reports on internal controls and financial reporting issues. To ensure complete independence, the External Auditors and the Internal Auditors have full and free access to the members of the Board Audit Committee to discuss any matter of substance. The Board Audit Committee Report is available on page ....

We confirm to the best of our knowledge that

- The Company has complied with all applicable laws, rules, regulations and guidelines;
- There is no material non-compliance;
- There is no material litigation against the company other than those disclosed in Note 50 of the Financial Statements section of this Annual Report;
- All taxes, duties, levies and all statutory payments by the company and all contributions, levies and taxes payable on behalf of and in respect of the employees of the company as at the reporting date have been paid, or where relevant provided for.

Janaka Deshapriya
Chief Financial Officer

Roshan Egodage
Director/Chief Executive officer

31st July 2023
Colombo

STATEMENT OF DIRECTORS RESPONSIBILITY FOR FINANCIAL REPORTING

The statement sets out the responsibility of the Board of Directors (the "Board") in relation to the Financial Statements of Commercial Credit and Finance PLC (the "Company") and its subsidiary prepared in accordance with the provisions of the Companies Act No. 07 of 2007 (the "Companies Act").

The responsibility of the external auditor in relation to the financial statements is set out in the report of the auditors given on pages 100 to 103 of the annual report.

In terms of sections 150 (1), 151, 152 and 153(1) and (2) of the Companies Act, the directors are required to prepare financial statements for each financial year, which should give a true and fair view of the state of affairs of the Company and its subsidiary as at the end of each financial year and place them before a general meeting. The financial statements comprise of the Statement of Financial Position as at 31 st March 2023, the Statement of Profit or Loss and the Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flow for the year then ended and notes thereto.

The financial statements of the Company and its subsidiary gives a true and fair view of the:

- Financial position of the Company and its subsidiary as at 31 st March 2023 and
- Financial performance of the Company and its subsidiary for the financial year then ended.

In preparing the financial statements, the directors are required to ensure that appropriate accounting policies have been selected and applied consistently, reasonable and prudent judgments and estimates have been made and all applicable accounting standards as relevant have been complied with and material departures, if any, have been disclosed and explained.

The directors after considering the financial position, operating conditions, regulatory and other factors have reasonable expectation that the Company and its subsidiary has adequate resources to continue operations in the foreseeable future and have adopted the going concern basis in preparing these financial statements.

Further, the directors have a responsibility to ensure that the companies within the group maintains sufficient accounting records to disclose with reasonable accuracy, the financial position of the Company and its subsidiary. The financial statements prepared and presented in this report have been prepared based on Sri Lanka Accounting standards (SLFRSs/LKASs) and are consistent with the underlying books of accounts and are in conformity with the requirements of Sri Lanka Accounting Standards, Companies Act, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, directions and guidelines issued under the Finance Business Act No. 42 of 2011, the Listing Rules of the Colombo Stock Exchange and the Code of Best Practices on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)

The Board has also instituted effective and comprehensive systems of internal control for identifying, recording, evaluating and managing the significant risks faced by the Company throughout the year and is under regular review of the Board. The results of such reviews carried out during the year are given on pages 95 to 96 in the Directors Statement on Internal Control over Financial Reporting. The External Auditors Assurance Report on the Directors Statement on Internal Control is given on page 97.

The Board has taken steps to ensure that the Company maintains proper books of accounts and review the financial reporting system at their regular meetings and also through the Board Audit Committee. The report of the Board Audit Committee is given on pages 87 to 88.

The Board also approves the interim and annual financial statements prior to their release following a review and recommendation by the Board Audit Committee.

The Board accepts responsibility for the integrity and objectivity of the financial statements presented in this annual report.

The Company's external auditors. Messer Ernst & Young were provided with every opportunity to carry out reviews and checks on the system of internal control they considered appropriate and necessary for expressing their independent audit opinion on the financial statements. They have examined the financial statements made available to them by the Company together with the financial records, related data and minutes of shareholders' and directors' meetings and expressed their opinion which appears as reported by them on pages 100 to 103.

The financial statements of the Company and its subsidiary have been certified by the Chief Financial Officer of the Company, the officer responsible for their preparation as required by section 150 (1) (b) and 152(1) (b) of the Companies Act and have been signed by two directors of the Company as required by section 150 (1) (c) and 152(1) (c) of the Companies Act.

Further as required by section 56(2) of the Companies Act, the Board has assessed the solvency of the Company immediately after the distribution of dividends based on the information available and confirms that the Company satisfies the solvency test as required by section 57 of the Companies Act and have obtained the necessary certificates of solvency from the external auditors.

The directors, to the best of their knowledge and belief, are satisfied that all statutory payments in relation to all relevant regulatory and statutory authorities, which were due and payable by the Company and its subsidiary as at the reporting date have been paid or where relevant provided for.

Accordingly, the directors are of the view that they have discharged their responsibilities as set out in this statement.

By order of the Board

CORPORATE SERVICES (PVT) LTD
Secretaries

27th June 2023

DIRECTORS' STATEMENT ON INTERNAL CONTROL

DIRECTORS' STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Board of Directors present this statement on internal control over Financial Reporting of the company in compliance with the section 16 (1) (ix) of the Finance Business Act Direction No. 05 of 2021-Corporate Governance.

The Board is responsible for ensuring the adequacy and effectiveness of the system of internal control at Commercial Credit and Finance PLC. The system is designed, to manage the Company's key areas of risk within an acceptable risk profile and established risk appetite, rather than to eliminate the risk of failure in achieving the business objectives of the Company. Accordingly, the system of internal controls can only provide reasonable but not absolute assurance against material misstatement of management and financial information and records against financial losses or fraud.

The Board has established an ongoing process for identifying, evaluating and managing significant risks faced by the Company and this process includes enhancing the system of internal controls in response to changes to the Company's enabling business environment and regulatory guidelines.

The process is regularly reviewed by the Board and the Board is of the view that the system of internal controls in place over financial reporting is sound and adequate to provide reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements for external purposes is in accordance with applicable and relevant accounting principles and regulatory requirements.

The Management supports the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks encountered with and in the design, operation and monitoring of suitable internal controls to mitigate these risks and their impact on the Company

KEY INTERNAL CONTROL PROCESSES

The key processes established in monitoring the adequacy and integrity of the system of internal controls with respect to financial reporting include the following,

- Monitoring of the Company's operational verticals in ensuring that the Company's operations are conducted in accordance with the corporate objectives, the Board's stated risk appetite, strategies and the annual budget as well as the policies and business decisions that have been approved.

- Board Sub-Committees regularly develop, review and recommend to the Board the Company's Policies and procedures covering all functional areas of the Company and recommend these to the Board for approval for adoption.

- The Internal Audit function of the Company checks for compliance with policies and procedures and the effectiveness of the internal control systems on an ongoing basis using appropriate sampling and rotational procedures and highlights significant findings of concern. Audits are carried out on all departments, branches, locations and units in accordance with the annual audit plan reviewed and approved by the Board Audit Committee (BAC). The frequency of audits is determined by the level of risk assessed, to provide an independent and objective report. Findings of Internal Audit are submitted to the BAC for review and observations at their periodic meetings.

- The BAC reviews internal control issues identified by the Internal Audit Function, External Auditor, Regulatory authority and the management and evaluates the adequacy of specific rectification actions, detective controls and preventive controls in ensuring the underlying systemic effectiveness of the internal control systems are continuously improved. The BAC also carries out a review of the effectiveness of the internal audit function with particular emphasis on the scope and quality of internal audits. The minutes of the BAC meetings are tabled at the meetings of the Board of Directors on a periodic basis. Further details of the activities undertaken by the BAC are set out in the Board Audit Committee Report which appears on page 87.

- The Board Integrated Risk Management Committee (BIRMC) is established to support the Board in overseeing the overall management of principal areas of risk of the Company. The Committee works with Key Responsible Persons and Management Level Committees which includes representatives from key business units of the Company to support the Board with the implementation of policies advocated by the BIRMC.

- In assessing the internal control systems over financial reporting, identified officers of the Company continue to review and update all procedures and controls that are connected with significant accounts and disclosures in the Financial Statements of the Company. The Internal Audit Department of the Company continues to verify the suitability of design and effectiveness of these procedures and controls on an ongoing basis.

- The Company adopts Sri Lanka Accounting Standards comprising of SLFRS's and LKAS's and progressive improvements to processes to comply with the new requirements of recognition, measurement, classification and disclosures were implemented. Financial reporting and management

DIRECTORS' STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

information processes will be further strengthened by continuous monitoring and steps are taken to make improvements to the process where required to enhance effectiveness and efficiency.

- The Company further strengthened its internal control processes to ensure that the impact of the economic crisis is accurately captured in the financial reporting by providing adequate impairment provisions for expected credit losses.
- The recommendations made by the External Auditors in connection with the internal control system in the previous year's audit was taken into consideration and appropriate steps taken to implement them where appropriate.

Statement on Prudential Requirements, Regulations and Laws

There are no instances of material non-compliance with prudential requirements, regulations, laws and internal controls during the year.

There were no concerns raised by the Director of Non-Bank Supervision of the Central Bank of Sri Lanka regarding the Company's Risk Management Systems or instances of non-compliance with the Finance Business Act and rules and directions issued by the Central Bank of Sri Lanka that required public disclosure as directed by the Monetary Board.

Confirmation

Based on the above, the Board confirms that the financial reporting system of the Company has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes and has been done in accordance with Sri Lanka Accounting Standards and regulatory requirements of the Central Bank of Sri Lanka and the listing rules of the CSE.

Review of the statement by External Auditors

The External Auditors have reviewed the above Directors Statement on Internal Control over Financial Reporting for the year and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in the review of the design and effectiveness of the internal controls over Financial Reporting of the Company. Their Report on the Statement of Internal Control is given on page 97.

By order of the Board,

G.B. Egodage
Chairman

R. S. Egodage
Executive Director / Chief Executive Officer

T. M. L. Paktsun
Director / Chairperson of Board Audit Committee

27th June 2023
Colombo

INDEPENDENT ASSURANCE REPORT TO THE BOARD OF DIRECTORS

EY
Building a better working world

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REPORT ON THE STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING INCLUDED IN THE DIRECTORS' STATEMENT ON INTERNAL CONTROL

We were engaged by the Board of Directors of Commercial Credit and Finance PLC (the "Company") to provide assurance on the Statement of Internal Control Over Financial Reporting included in the Directors' Statement on Internal Control for the year ended 31 March 2023 (the "Statement") included in the annual report.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for the preparation and presentation of the Statement in accordance with the "Guidance for Directors of License Finance Company/ Finance Leasing Company on the Directors' Statement on Internal Control" issued in compliance with the Section 16 (1) (ix) of Finance Companies corporate Governance Direction No 05 of 2021 by the Institute of Chartered Accountants of Sri Lanka.

OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Sri Lanka Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

OUR RESPONSIBILITIES AND COMPLIANCE WITH SLSAE 3051

Our responsibility is to assess whether the Statement is both supported by the documentation prepared by or for directors and appropriately reflects the process the directors have adopted in reviewing the design and effectiveness of the internal control of the Company.

We conducted our engagement in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE) 3051, Assurance Report for License Finance Company/ Finance Leasing Company on Directors' Statement on Internal Control, issued by the Institute of Chartered Accountants of Sri Lanka.

This Standard required that we plan and perform procedures to obtain limited assurance about whether Management has prepared, in all material respects, the Statement on Internal Control.

For purpose of this engagement, we are not responsible for updating or reissuing any reports, nor have we, in the course of this engagement, performed an audit or review of the financial information.

SUMMARY OF WORK PERFORMED

We conducted our engagement to assess whether the Statement is supported by the documentation prepared by or for directors; and appropriately reflected the process the directors have adopted in reviewing the system of internal control over financial reporting of the Company.

The procedures performed were limited primarily to inquiries of the Company personnel and the existence of documentation on a sample basis that supported the process adopted by the Board of Directors.

SLSAE 3051 does not require us to consider whether the Statement covers all risks and controls or to form an opinion on the effectiveness of the Company's risk and control procedures. SLSAE 3051 also does not require us to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Company, the event or transaction in respect of which the Statement has been prepared.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

OUR CONCLUSION

Based on the procedures performed, nothing has come to our attention that causes us to believe that the Statement included in the annual report is inconsistent with our understanding of the process the Board of Directors has adopted in the review of the design and effectiveness of internal control over financial reporting of the Company.

Ernst & Young

27th June 2023
Colombo

SHARED VALUES

SYNERGY AND TEAMWORK

I can do things you cannot, you can do things I cannot; together we can do great things. - Mother Teresa

COMMERCIAL CREDIT

FINANCIAL INFORMATION

SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITORS' REPORT

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TO THE SHAREHOLDERS OF COMMERCIAL CREDIT AND FINANCE PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Commercial Credit and Finance PLC ("the Company") and consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the Statement of Financial Position as at 31 March 2023, and the Statement of Profit or Loss and Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2023, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment allowances for Loan, Lease and Hire Purchase receivables As at 31st March 2023, Loan, Lease and Hire Purchase receivables net of impairment allowances amounted to LKR 76.2 Bn and is disclosed in notes 10 & 11 to the financial statements. This was a key audit matter due to the materiality of the reported provision for credit impairment which involved complex calculations; degree of significant judgements and assumptions and level of estimation uncertainty associated with estimating future cashflows management expects to receive from such financial assets. Key areas of significant judgments, estimates and assumptions used by management in the assessment of the provision for credit impairment included the following; • Management overlays to incorporate the current economic contraction. • The Incorporation of forward-looking information such that expected cashflows reflect current and anticipated future external factors evaluated under different economic scenarios and the probability weighting determined for each of these scenarios.	In addressing the adequacy of the provision for credit impairment on financial assets carried at amortized cost, our audit procedures included the following key procedures. • We assessed the alignment of the Company's provision for credit impairment computations and underlying methodology including responses to market economic volatility with its accounting policies, based on the best available information up to the date of our report. • We evaluated the Internal controls over estimation of credit impairment, which included assessing the level of oversight, review and approval of impairment allowances policies and procedures by the Board and management. • We checked the completeness, accuracy and classification of the underlying data used in the computation of credit impairment by agreeing details to relevant source documents and accounting records of the Company. • In addition to the above, following procedures were performed. **For Loan, Lease and Hire Purchase receivables assessed on an individual basis for impairment:** • We evaluated the reasonableness of credit quality assessment. • We checked the arithmetical accuracy of the underlying individual impairment calculations. • We evaluated the reasonableness of key inputs used in provision for credit impairment made with particular focus on current economic contraction. Such evaluations were carried out considering the customer exposure to elevated risk industries, debt moratoriums, status of recovery actions of collaterals in forecasting the value and timing of cashflows. **For Loan, Lease and Hire Purchase receivables assessed on a collective basis for impairment:** • We tested key inputs as disclosed in note 5.5.5 and the calculations used in the provision for credit impairment. • We assessed whether judgments used in assumptions and estimates made by the management when estimating future cashflows, in the underlying methodology and management overlays were reasonable. Our assessment included portfolio segmentation, elevated risk industries, evaluating the reasonableness of forward-looking information, different economic scenarios and probability weighting assigned to each scenario. We assessed the adequacy of the related financial statement disclosures set out in notes 10 & 11 of the financial statements.

INDEPENDENT AUDITORS' REPORT

Key audit matter	How our audit addressed the key audit matter
Information Technology (IT) systems and internal controls over financial reporting Company's financial reporting process is significantly reliant on multiple IT systems with automated processes and internal controls. Further, key financial statement disclosures are prepared using data and reports generated by IT systems, that are compiled and formulated with the use of spreadsheets. Accordingly, IT systems and related internal controls over financial reporting were considered a key audit matter.	Our audit procedures included the following: • We obtained an understanding of the Internal control environment of the processes and checked relevant controls relating to financial reporting and related disclosures. • We involved our internal specialized resources to check and evaluate the design and operating effectiveness of IT systems and relevant controls, including those related to user access and change management. • We also obtained a high-level understanding, primarily through inquiry, of the cybersecurity risks affecting the company and the actions taken to address these risks. • We checked source data of the reports used to generate disclosures for accuracy and completeness, including review of general ledger reconciliations.

Other information included in the 2023 Annual Report

Other information consists of the information included in the Company's and Group 2023 Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Company's and Group 2023 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of management and those charged with governance

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company's and the Group.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2199.

27th June 2023
Colombo

STATEMENT OF FINANCIAL POSITION

As at 31 March 2023	Notes	Company		Group
		2023 LKR	2022 LKR	2023 LKR
Assets				
Cash and bank balances	7	2,437,142,080	2,632,255,116	2,455,286,849
Reverse repurchase agreements		860,000,000	354,147,585	860,000,000
Placements with banks	8	2,666,945,165	1,811,884,152	2,666,945,165
Financial assets recognised through profit or loss - measured at fair value	9	8,437,229,910	5,087,514,674	8,437,448,650
Financial assets at amortised cost				
Loans and receivables	10	21,028,377,642	18,990,319,759	21,028,377,642
Lease Rentals Receivable & Stocks out on hire	11	55,142,285,509	55,003,014,280	55,142,285,509
Financial assets at fair value through other comprehensive income	12	2,554,019	2,554,019	2,554,019
Other financial assets	13	170,759,082	464,111,883	203,189,138
Inventories	14	215,979,349	88,973,435	215,979,349
Other assets	15	714,279,365	499,481,394	717,157,183
Investment in subsidiary	16	15,000,000	-	-
Investment in associate	17	342,306,353	300,640,397	342,306,353
Investment property	18	1,220,344,185	1,493,885,664	1,220,344,185
Property, plant and equipment	19	6,460,091,383	4,826,749,333	6,460,091,383
Right of use assets	20	383,532,475	485,538,621	383,532,475
Intangible assets & goodwill	21	894,398,277	888,783,421	894,398,277
Deferred tax Asset	28	1,163,215,632	700,374,664	1,163,215,632
Total assets		102,154,440,425	93,630,228,397	102,193,111,808
Liabilities				
Due to banks	22	16,259,699,210	19,229,423,107	16,259,699,210
Due to customers	23	59,243,650,511	48,077,987,723	59,243,650,511
Debt instruments issued	24	1,295,844,686	1,295,844,686	1,295,844,686
Other financial liabilities	25	984,158,637	1,483,345,269	996,498,438
Other liabilities	26	2,365,992,817	2,822,480,873	2,365,992,817
Post employment benefit obligations	27	365,950,612	334,424,812	365,950,612
Current tax liabilities		1,280,129,104	1,193,392,657	1,289,818,582
Total Liabilities		81,795,425,578	74,436,899,127	81,817,454,858
Shareholders' Funds				
Stated capital	29	2,150,640,315	2,150,640,315	2,150,640,315
Retained earnings	30	13,655,576,606	12,619,872,455	13,671,386,604
Reserves	31	4,552,797,926	4,422,816,499	4,553,630,031
Total Equity		20,359,014,847	19,193,329,270	20,375,656,950
Total Liabilities and Shareholders' Funds		102,154,440,425	93,630,228,397	102,193,111,808
Commitments and Contingencies	50	481,783,866	718,603,067	481,783,866

I certify that these Financial Statements are in compliance with the requirements of the companies Act No. 07 of 2007.

....
Chief Financial Officer

The Board of Directors is responsible for these financial statements.

....
Chairman

....
Director/Chief Executive Officer

Accounting policies and notes from pages 110 to 196 form an integral part of these Financial Statements.

27th June 2023
Colombo

STATEMENT OF PROFIT OR LOSS

Year ended 31 March	Notes	Company 2023 LKR	Company 2022 LKR	Group 2023 LKR
Gross Income	32	28,949,268,637	21,820,029,659	28,997,546,911
Interest income	32.1	25,054,737,863	18,365,076,301	25,054,773,922
Interest expenses	32.2	(13,948,087,048)	(6,416,134,783)	(13,948,087,048)
Net interest income		11,106,650,814	11,948,941,518	11,106,686,874
Fee and commission income	33	2,920,130,715	1,797,135,534	2,968,408,988
Net income from Real estate sales	34	1,539,165	7,575,360	1,539,165
Net (loss)/gain from trading	35	27,603,125	23,274,836	27,603,125
Other operating income	36	907,417,770	1,423,846,607	907,417,768
Change in fair value of Investment property	18	37,840,000	203,121,021	37,840,000
Total operating income		15,001,181,589	15,403,894,876	15,049,495,919
Impairment Charges of financial assets	37	(3,414,558,266)	(1,778,040,281)	(3,423,135,466)
Net fair value gains/(losses) from financial instruments at fair value through profit or loss		2,098,755	35,247,286	2,098,755
Net operating income		11,588,722,078	13,661,101,881	11,628,459,208
Operating expenses				
Personnel expenses	38	(3,568,310,142)	(2,786,838,749)	(3,568,885,142)
Depreciation & amortization	19,20,21	(321,225,721)	(536,566,324)	(321,225,721)
Other operating expenses	39	(2,659,908,774)	(2,534,817,199)	(2,672,739,324)
Operating profit before Tax on financial services		5,039,277,442	7,802,879,608	5,065,609,022
Value added tax	40	(1,143,299,356)	(1,400,965,963)	(1,143,299,356)
Social Security Contribution Levy	40	(77,764,893)	-	(77,764,893)
Operating profit after Value Added Tax on financial services		3,818,213,193	6,401,913,645	3,844,544,773
Share of Profit /(loss) of associates	41	41,665,956	(10,569,129)	41,665,956
Profit before Taxation		3,859,879,148	6,391,344,516	3,886,210,728
Income Taxation	42	(1,260,250,607)	(1,871,031,635)	(1,269,940,085)
Profit for the year		2,599,628,541	4,520,312,881	2,616,270,643
Profit attributable to:				
Equity holders of the company		2,599,628,541	4,520,312,881	2,616,270,643
Non - controlling interests		-	-	-
		2,599,628,541	4,520,312,881	2,616,270,643
Basic Earnings Per Share	43.1	8.17	14.21	8.23
Diluted Earnings Per Share	43.2	8.17	14.21	8.23
Dividend Per Share	44	2.00	2.50	

Accounting policies and notes from pages 110 to 196 form an integral part of these Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

As at 31 March 2023	Notes	Company		Group
		2023	2022	2023
		LKR	LKR	LKR
Profit for the year		2,599,628,541	4,520,312,881	2,616,270,643
Actuarial gains/(losses) on defined benefit plans	27	21,612,500	94,535,130	21,612,500
Deferred tax charge/(reversal) relating to actuarial gain on defined benefit plans	28	(6,483,750)	(22,688,431)	(6,483,750)
		15,128,750	71,846,699	15,128,750
Total other comprehensive income not to be reclassified to Statement of profit or loss		15,128,750	71,846,699	15,128,750
Other Comprehensive Income for the year, net of taxes		15,128,750	71,846,699	15,128,750
Total Comprehensive Income for the Year		2,614,757,291	4,592,159,580	2,631,399,393
Total Comprehensive income attributable to:				
Equity holders of the company		2,614,757,291	4,592,159,580	2,631,399,393
Non- controlling interests		-	-	-
Total Comprehensive Income for the year		2,614,757,291	4,592,159,580	2,631,399,393

Accounting policies and notes from pages 110 to 196 form an integral part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY

Company	Note	Stated Capital	Revaluation Reserve	General Reserve	Retained Earnings	Statutory Reserve	FVOCI Reserve	Total
As at 31 March 2023		LKR	LKR	LKR	LKR	LKR	LKR	LKR
Balance as at 1 April 2021		2,150,640,315	358,508,001	58,751,125	9,048,914,434	3,789,541,729	(10,000,000)	15,396,355,604
Net profit for the year	30	-	-	-	4,520,312,881	-	-	4,520,312,881
Other comprehensive income net of tax	30/31	-	-	-	71,846,699	-	-	71,846,699
Total comprehensive income		-	-	-	4,592,159,580	-	-	4,592,159,580
Transferred to Statutory Reserve	30/31	-	-	-	(226,015,644)	226,015,644	-	-
Dividend paid	44	-	-	-	(795,185,914)	-	-	(795,185,914)
Balance as at 31 March 2022		2,150,640,315	358,508,001	58,751,125	12,619,872,456	4,015,557,373	(10,000,000)	19,193,329,270
Balance as at 1 April 2022		2,150,640,315	358,508,001	58,751,125	12,619,872,456	4,015,557,373	(10,000,000)	19,193,329,270
Adjustment for Surcharge Tax levied under the Surcharge Tax Act No. 14 of 2022		-	-	-	(812,922,983)	-	-	(812,922,983)
Adjusted Balance as at 1 April 2022		2,150,640,315	358,508,001	58,751,125	11,806,949,473	4,015,557,373	(10,000,000)	18,380,406,287
Net profit for the year	30	-	-	-	2,599,628,541	-	-	2,599,628,541
Other comprehensive income net of tax	30/31	-	-	-	15,128,750	-	-	15,128,750
Total comprehensive income		-	-	-	1,801,834,308	-	-	1,801,834,308
Transferred to Statutory Reserve	30/31	-	-	-	(129,981,427)	129,981,427	-	-
Dividend paid	44	-	-	-	(636,148,730)	-	-	(636,148,730)
Balance as at 31 March 2023		2,150,640,315	358,508,001	58,751,125	13,655,576,607	4,145,538,800	(10,000,000)	20,359,014,848

Group	Note	Stated Capital	Revaluation Reserve	General Reserve	Retained Earnings	Statutory Reserve	FVOCI Reserve	Total
As at 31 March 2023		LKR	LKR	LKR	LKR	LKR	LKR	LKR
Balance as at 1 April 2022		2,150,640,315	358,508,001	58,751,125	12,619,872,456	4,015,557,373	(10,000,000)	19,193,329,271
Adjustment for Surcharge Tax levied under the Surcharge Tax Act No. 14 of 2022		-	-	-	(812,922,983)	-	-	(812,922,983)
Adjusted Balance as at 1 April 2022		2,150,640,315	358,508,001	58,751,125	11,806,949,473	4,015,557,373	(10,000,000)	18,380,406,288
Net profit for the year		-	-	-	2,616,270,643	-	-	2,616,270,643
Other comprehensive income net of tax		-	-	-	15,128,750	-	-	15,128,750
Dividend paid		-	-	-	(636,148,730)	-	-	(636,148,730)
Total comprehensive income		-	-	-	1,995,250,663	-	-	1,995,250,663
Transferred to Statutory Reserve		-	-	-	(130,813,532)	130,813,532	-	-
Balance as at 31 March 2023		2,150,640,315	358,508,001	58,751,125	13,671,386,604	4,146,370,905	(10,000,000)	20,375,656,951

Accounting policies and notes from pages 110 to 196 form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

As at 31 March 2023	Notes	Company 2023 LKR	Company 2022 LKR	Group 2023 LKR
Profit before Income Tax Expense		3,859,879,148	6,391,344,516	3,886,210,728
Adjustments for				
Depreciation and amortisation	19/20/21	67,896,078	320,126,655	67,896,078
Amortisation of Right of use assets	20	253,329,643	216,439,669	253,329,643
Share of loss / (Profit) of associate	41	(41,665,956)	10,569,129	(41,665,956)
Impairment charge of loans and advances, lease,hire purchase	37	3,414,558,266	1,778,040,281	3,423,135,466
Net fair value adjustment of Investment property	18	(37,840,000)	(203,121,021)	(37,840,000)
Disposal gain on Investment property	36	14,008,840	(40,837,910)	14,008,840
Net fair value gains/(losses) from financial instruments		(2,098,755)	(35,247,286)	-
Provision for defined benefit plans	27	94,051,825	64,739,241	94,051,825
Operating profit before working capital changes		7,622,119,089	8,502,053,274	7,659,126,625
Decrease in Inventories		(127,005,915)	(17,363,226)	(127,005,915)
Decrease in Loans and Advances		(2,038,057,882)	(493,690,773)	(2,038,057,882)
Increase in Lease Rentals Receivable & Stock out on hire		(3,553,829,487)	(6,688,201,891)	(3,562,406,687)
Right of use assets		(151,323,497)	(289,141,906)	(151,323,497)
(Increase)/Decrease in Other Financial Assets		291,179,551	189,462,180	258,749,495
(Increase)/Decrease in Debt & other instruments		-	253,257,877	-
(Increase)/Decrease in Other Assets		(212,624,728)	292,729,257	(215,502,547)
Decrease in Amounts Due to Customers		11,165,662,787	88,450,880	11,165,662,787
Increase/(Decrease) in Other Financial Liabilities		(1,004,405,596)	(175,591,848)	(992,065,795)
Increase/(Decrease) in Other Liabilities		186,571,552	1,657,148,011	186,571,552
Cash generated from Operations		12,178,285,874	3,319,111,835	12,183,748,136
Post employment benefit obligation	27	(40,913,525)	(31,431,000)	(40,913,525)
Surcharge Tax Paid		(812,922,983)	-	(812,922,983)
Taxes paid		(1,642,838,878)	(1,215,317,822)	(1,642,838,878)
Net cash flows (used in)/from Operating activities		9,681,610,488	2,072,363,013	9,687,072,749
Cash flows from / (used in) Investing activities				
Acquisition of Investment Property	18	(344,877,978)	(564,439,736)	(344,877,978)
Disposal Proceeds from Investment Property		49,490,860	299,682,012	49,490,860
Acquisition of Property, plant and equipments	19	(1,344,681,954)	(1,271,415,348)	(1,344,681,954)
Acquisition of subsidiary		(15,000,000)		-
Net investment in placements with banks		665,755,008	2,150,742,525	665,755,008
Acquisition of Intangible assets	21	(5,614,857)	52,054,249	(5,614,857)
Net investment in Financial assets recognised through profit or loss - measured at fair value		(3,347,616,481)	442,366,095	(3,349,933,976)
Proceed from sale of property, plant & equipments		236,203,582	75,344,692	236,203,582
Net cash flows used in Investing activities		(4,106,341,820)	1,184,334,488	(4,093,659,314)

As at 31 March 2023	Notes	Company 2023 LKR	Company 2022 LKR	Group 2023 LKR
Cash flows from / (used in) Financing activities				
Proceeds from Loans obtained	22	11,981,278,371	12,139,414,017	11,981,278,371
Lease Payments		(137,840,643)	(353,040,833)	(137,840,643)
Repayment of Bank Loans	22	(14,566,806,823)	(15,709,014,501)	(14,566,806,823)
Dividend paid	45	(636,148,730)	(795,185,914)	(636,148,730)
Net cash flows from Financing activities		(3,359,517,824)	(4,717,827,230)	(3,359,517,823)
Net increase in Cash and Cash equivalents		2,215,750,844	(1,461,129,730)	2,233,895,611
Cash and Cash equivalents at the beginning of the year		3,196,072,206	4,657,201,936	3,196,072,206
Cash and Cash equivalents at the end of the year		5,411,823,050	3,196,072,206	5,429,967,818
Cash and Cash Equivalents For the Purpose of Cash Flow Statement				
Cash in Hand	7	2,437,142,080	2,632,255,116	2,455,286,848
Reverse repurchase agreements (less than three months)		860,000,000	354,147,586	860,000,000
Placements with Banks (less than three months)		2,226,832,924	706,016,903	2,226,832,924
Bank Overdrafts	22	(112,151,954)	(496,347,399)	(112,151,954)
Total Cash and Cash Equivalents For the Purpose of Cash Flow Statement		5,411,823,050	3,196,072,206	5,429,967,818

Accounting policies and notes from pages 110 to 196 form an integral part of these Financial Statements.

ACCOUNTING POLICIES

1. CORPORATE INFORMATION

1.1 General

Commercial Credit and Finance PLC ("Company") is a Limited Liability Company incorporated in Sri Lanka on 4 October 1982 under the Companies act no 17 of 1982 and domiciled in Sri Lanka. The Company was re-registered with the Registrar General of Companies as per the requirements of the Companies Act No.7 of 2007 (Companies Act) on 8 April 2008. It is a Licensed Finance Company registered under the Finance Business Act No. 42 of 2011.

The registered office of the Company and the principal place of business is located at No.106, Yatinuwara Veediya, Kandy. The shares of the company have a primary listing on the Colombo Stock Exchange (CSE).

1.2 Principal Activities and Nature of Operations

Company

During the year, the principal activities of the Company were acceptance of deposits, granting lease facilities, hire purchase, term loans, personal loans, micro loans, pawning and other credit facilities, real estate development and related services.

Subsidiary

A.M.W Insurance Brokers (Pvt) Ltd

A.M.W. Insurance Brokers (Private) Limited is a Limited Liability Company incorporated & domiciled in Sri Lanka. The registered office is situated at No.165,Kynsey Road, Colombo 08. The principle activities of the Company are the business of Insurance Brokering.

Associate Company

TVS Lanka (Pvt) Ltd

The company's primary activities involved import, assembling and distribution of brand new TVS motor bikes, motor bike spare parts, Tractors and Tractors spare part, lubricants, batteries and tyres. The registered office and principal place of business of the company is located at No.38, Old Negombo Road, Wattala. The Company holds 19.5% of the share of TVS Lanka (Pvt) Ltd. as at the balance Sheet Date. The Chief Operating Officer of the Company is a director of TVS Lanka (Pvt) Ltd and it is considered an associate since Commercial Credit and Finance PLC has a significant influence.

1.3 Parent Enterprise and Ultimate Parent Enterprise

The Company's immediate parent is BG Investment (Private) Limited. In the opinion of the directors, the Company's ultimate parent entity is BG Capital (Private) Limited, which is incorporated in Sri Lanka while Mr. R.S. Egodage is the Company's ultimate controlling party.

1.4 Approval of financial statements by Directors

The Financial Statements of Commercial Credit and Finance PLC for the year ended 31 March 2023 was authorized for issue by the board of directors on 27 June 2023.

1.5 Responsibility for Financial Statements

The Board of Directors of the company is responsible for these Financial Statements of the Company as per the provisions of the Companies Act No.07 of 2007 and the Sri Lanka Accounting Standards.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements of the company have been prepared and presented in accordance with Sri Lanka Accounting Standards (SLFRSs and LKAS), laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007, the Finance Business Act No 42 of 2011.

These financial statements include the following components.

- A Statement of Profit or Loss and Statement of Comprehensive Income providing the information of the financial performance of the Company
- A Statement of Financial Position providing the information on the financial position of the Company as at the year end
- A Statement of Changes in Equity depicting all changes in shareholder's equity during the year under review of the Company
- A Statement of Cash Flows providing the information to the users, on the ability of the Company to generate cash and cash equivalents and the needs of entity to utilize those cash flows
- Notes to the Financial Statements comprising accounting policies & other explanatory information

2.2 Basis of Measurement

The Financial Statements of the Company have been prepared on a historical cost basis, except for the following items stated in the Statement of Financial Position which have been measured at fair value.

- Financial assets recognized through Profit or Loss (FVPL)
- Financial assets held at fair value through other comprehensive income (FVOCI)
- Investment Property
- Freehold Land & Buildings classified as Property, Plant & Equipment

2.3 Functional and presentation currency

The Financial Statements of the Company have been prepared in Sri Lanka Rupees (LKR), except when otherwise indicated.

2.4 Comparative Information

The comparative information is re-classified wherever necessary to conform to the current year's presentation.

2.5 Presentation of Financial Statements

The assets and liabilities of the Company presented in the Statement of Financial Position are grouped by nature and listed in order that reflects their relative liquidity and maturity pattern. No adjustments have been made for inflationary factors affecting the financial statements.

An analysis on recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 49 (Current & Non-Current analysis of Assets & Liabilities).

2.6 Materiality & Aggregation

In compliance with Sri Lanka Accounting Standards - LKAS 01 on "Presentation of Financial Statements", each material class of similar items are presented separately in these Financial Statements. Items of dissimilar nature or functions are presented separately unless they are not material.

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position of the company only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the Statement of Profit or Loss of the Company unless required or permitted by any accounting standard or interpretation thereon.

3. SIGNIFICANT ACCOUNTING JUDGEMENT, ESTIMATES AND ASSUMPTIONS

The preparation of Financial Statements of the company in conformity with Sri Lanka Accounting Standards requires the Management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Further, Management is also required to consider key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Actual results may differ from these estimates.

Accounting judgements, estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The key significant accounting judgements, estimates and assumptions involving uncertainty are discussed below, whereas the respective carrying amounts of such assets and liabilities are as given in the respective notes.

3.1 Going Concern

The Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. The Directors have considered the impact of the current adverse macro-economic conditions on the business operations of the Company including a possible restructuring and hair-cuts on government debts, in making this assessment . Furthermore, Board is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern and they do not intend either to liquidate or to cease operations of the Company. Therefore, the Financial Statements continue to be prepared on the going concern basis.

3.2 Impairment Losses on Lease Receivable, Hire Purchase Receivable and Loans and Advances to Customers

The measurement of impairment losses under Sri Lanka Accounting Standards - SLFRS 9 (Financial Instruments) across all categories of financial assets requires judgement. These estimates are driven by a number of factors, changes in which can result in different levels of impairment allowances.

The Company reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in the Statement of Profit or Loss. In particular, management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. Loans and advances that have been assessed individually and found to be not impaired and all individually insignificant loans and advances are then assessed collectively, by categorising them into groups of assets with similar risk characteristics, to determine the expected credit loss on such loans and advances.

The expected credit loss (ECL) calculation under SLFRS 9 requires management to make judgments and estimates with regard to the following.

- The Company's criteria for assessing if there has been a significant increase in credit risk and so impairment for financial assets should be measured on a lifetime ECL basis
- Development of ECL models, including various formulas and the choice of inputs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL model

It has been the Company's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

The impact of the macroeconomic and geopolitical environment has exacerbated inflationary pressures during the year 2022/23. High and rising energy prices are having a negative impact on the cost of other goods and services, resulting in significant consumer-price increases in the country. Inflation is increasingly weighing on real incomes, resulting in demand deterioration and a reduction in the ability of entities to protect their margins. In addition, high inflation and rising interest rates are major concerns affecting individuals and businesses, thereby posing a challenge on the recovery of loans and advances in the short to medium term. Considering the severity of the macro-economic outlook, key assumptions used in the Company's calculation of ECL have been revised. As at the reporting date, the expected impacts of the adverse macro-economic conditions have been captured via the modelled outcome as well as a separate management overlay reflecting the considerable uncertainty remaining in the modelled outcome. Although the credit model inputs and assumptions, including forward-looking macro-economic assumptions were revised in response to the current economic crisis, the fundamental credit model mechanics and methodology underpinning the Company's calculation of ECL have remained consistent with prior periods.

The Company continued to extend the moratorium for eligible borrowers as directed by the Central Bank of Sri Lanka during the year 2022/23. All customers who were under moratorium for a prolonged period of time have been classified at least under stage 2 on a prudent basis eventhough such customers no longer enjoyed the moratorium as at 31 March 2023. A case-by-case analysis has been conducted on the individually significant customers and classified as stage 3 when the circumstances demand so. Collateral values were appropriately discounted to reflect the current market value. The exposures which are not individually significant have been moved to stage 2 based on the industry risk of the underlying borrowers.

The assumptions used to calculate the allowance for overlay for moratorium loans and advances as at 31 March 2022 were further fine-tuned during the year based on the post moratorium movements of the customers' arrears buckets. Accordingly, the allowance for overlay was further increased for the customers who continued to enjoy further concessions as at 31 March 2023.

3.3 Impairment of other financial assets

The Company reviews its debt securities classified as FVOCI/ amortised cost, at each reporting date to assess whether they are impaired. Objective evidence that a debt security held at FVOCI/ amortised cost is impaired includes among other things significant financial difficulty of the issuer, a breach of contract such as a default or delinquency in interest or principal payments etc.

Equity instruments classified as Fair Value through Other Comprehensive Income (FVOCI) are not subjective to impairment assessment.

3.4 Impairment of Goodwill

The Company assesses whether there are any indicators of impairment of goodwill at each reporting date or more frequently, if events or changes in circumstances necessitate to do so. This requires the estimation of the Value in Use (VIU) of the asset. Estimating VIU requires the Company to make an estimate of the expected future cash flows from the asset and also to select a suitable discount rate in order to calculate the present value of the relevant future cash flows. This valuation requires the Company to make estimates about expected future cash flows and discount rates and hence, they are subject to uncertainty. Refer Note 21 for details.

3.5 Taxation including Deferred Tax Assets

The Company is subject to income taxes and other taxes including VAT on financial services.

3.6 Fair Value of Property Plant and Equipment

The freehold land and buildings of the Company are reflected at fair value at the date of revaluation less any accumulated depreciation and impairment losses. The Company engages independent valuation specialists to determine fair value of freehold land and buildings, including methods of valuation are given in note 19.5 to the financial statements.

3.7 Useful lifetime of Property Plant and Equipment

The Company reviews the residual values, useful lives and methods of depreciation of property, plant and equipment at each reporting date. Judgement of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

3.8 Classification of Investment Properties

Management requires using its judgment to determine whether a property qualifies as an investment property. The Company has developed criteria so it can exercise its judgment consistently. A property that is held to earn rentals or for capital appreciation or both and which generates cash flows largely independently of the other assets held by the Company are accounted for as investment properties. On the other hand, a property that is used for operations or in the process of providing services or for administrative purposes and which do not directly generate cash flows as a standalone asset are accounted for as property, plant and equipment. The Company assesses on an annual basis the accounting classification of its properties taking into consideration the current use of such properties.

3.9 Fair value of Investment Properties

The Company carries its Investment Properties at fair value, with changes in fair values being recognised in the Statement of profit or loss. The Company engaged an independent valuer to determine the fair value as at 31 March 2023.

The best evidence of fair value is usually the current price in an active market for similar lease and other contracts. In the absence of such information, the Company determines the amount within a range of reasonable fair value estimates. In making such estimates, the Company considers information from a variety of sources including:

- Current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- Recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- Discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using capitalization rates that reflect current market assessments of the returns and yields, an uncertainty in the amount and timing of the cash flows.

3.9.1 Subsequent Transfers to/from Investment Properties

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party or completion of construction or development.

Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

For a transfer from investment properties to owner occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Company as an owner occupied property becomes an investment property, the Company, accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the Income statement. When the Company completes the construction or development of a self constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the Income Statement.

ACCOUNTING POLICIES

3.10 Principal assumptions for management's estimation of fair value

If information on current or recent prices of assumptions underlying the discounted cash flow approach of investment properties is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. The company uses assumptions that are mainly based on market conditions existing at each reporting date.

The principal assumptions underlying management's estimation of fair value are those related to: the future rentals, maintenance requirements, and appropriate capitalization rates / yields and voids. These valuations are regularly compared to actual market yield data and actual transactions by the company and those reported by the market.

3.11 Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determining using a variety of valuation techniques that include the use of mathematical models. The inputs of these models are derived from observable market data where possible, but if this is not available, judgements such as discount rates, default rate assumptions, etc. is required to establish fair values. The valuation of financial instruments is described in more in Note 47 to these financial statements.

The Company measures fair value using the fair value hierarchy that reflects the significance of input used in making measurements.

3.12 Defined Benefit Plan

The cost of the defined benefit plans and the present value of their obligations are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and possible future pension increases if any. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of Sri Lanka government bonds with maturities corresponding to the expected duration of the defined benefit obligations. The mortality rate is based on publicly available mortality tables. Future salary increases and pension increases are based on expected future inflation rate and expected future salary increase rates of the Company.

3.13 Right-of-Use Assets and Lease Liability

The Company uses its judgment to determine whether an operating lease contract qualifies for recognition of right-of-use assets. The Company applies judgments in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create economic benefits for it to exercise either the renewal or termination. Further, the Company cannot readily determine the interest rate implicit in the lease. Therefore, it uses its incremental borrowing rate to measure operating lease liability. The incremental borrowing rate is the rate of interest that the Company would have to pay to borrow over a similar term and with similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in similar economic environment.

3.14 Commitments and Contingencies

All discernible risks are accounted for in determining the amount of all known liabilities.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Unless the probability of occurrence is certain, contingent liabilities are not recognized in the statement of financial position but are disclosed in the statement of financial position. (Refer Note 50).

3.14.1 Uncertainty Over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of LKAS 12, nor does it specifically include requirements relating to interest and penalties associated within certain tax treatments. The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Company determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

4. NEW ACCOUNTING STANDARDS ISSUED DURING THE YEAR/ CHANGES TO ALREADY EXISTING ACCOUNTING STANDARDS

There were no new accounting standards issued by the Institute of Chartered Accountants of Sri Lanka during the year ended 31st March 2023. The amendments to the following existing Sri Lanka Accounting Standards which were effective from 1st April 2021 did not have a material impact on the Financial Statements of the Company.

- Sri Lanka Accounting Standard – SLFRS 16 (Leases): COVID-19 Related Rent Concessions
- Sri Lanka Accounting Standard - LKAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors)

5. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies set out below have been applied consistently to all periods presented in these financial statements of the Company, unless otherwise indicated. The accounting policies have been consistently applied by the Company where applicable.

5.1 Basis of Consolidation

The group financial statement comprise consolidation of the financial statements of the company and its subsidiary in terms of Sri lanka Accounting standards (SLFRS 10) Consolidated financial statement.

Company's associate accounted under "Equity method of accounting" in terms of Sri Lanka Accounting Standard (LKAS 28) "Investments in Associates & Joint Ventures".

5.2 Business Combination and Goodwill

Business combinations are accounted for using the Acquisition method as per the requirements of Sri Lanka Accounting Standard (SLFRS 3) - "Business Combinations". When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

The Company measures goodwill as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss. Acquisition related costs are expensed as incurred and included in other expenses. Goodwill is initially recorded at cost and subsequently at cost less any accumulated impairment losses in accordance with the Sri Lanka Accounting Standard (SLFRS 3) - "Business Combinations".

Goodwill has to be reviewed for impairment annually or more frequently if events or circumstances indicate that the carrying value may be impaired.

The Company elects on a transaction by transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date.

5.3 Foreign Currency Transactions and Balances

All foreign currency transactions are translated into the functional currency which is Sri Lankan Rupees (LKR) at the spot exchange rate at the date of the transactions were affected. In this regard, the Company's practice is to use the middle rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the spot rate of exchange at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year adjusted for effective interest and payments during the year and the amortised cost in foreign currency translated at the exchange rate at the reporting date.

Non- monetary items that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition. Non-monetary items measured at fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value was determined.

5.4 Financial instruments – initial recognition and subsequent measurement

5.4.1 Date of recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognized on the trade date, i.e., the date that the Company becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery or assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognized when funds are transferred to the customers' accounts. The Company recognizes balances due to customers when funds are transferred to the Company.

5.4.2 Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described in Notes 5.4.3.1(a) and 5.4.3.1(b). Financial instruments are initially measured at their fair value except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Company accounts for the day 1 profit or loss. As described below,

Day 1 profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument, or based on a valuation technique whose variables include only data form observable markets, the Company recognizes the difference between the transaction price and fair value (a day 1 profit or loss) in the statement of profit or loss over the tenor of the financial instrument using the Effective Interest Rate (EIR) method. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognized in the statement of profit or loss when the inputs become observable, or when the instrument is derecognized.

5.4.3 Measurement categories of Financial Assets and Liabilities

The Company classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortized cost, as explained in note 5.5.3.1
- Fair value through Profit or loss 5.5.3.2
- FVOCI, as explained in note 5.5.3.3

The subsequent measurement of financial assets depends on their classification.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVPL when they are held for trading.

5.5.3.1 Loans and advances, Lease rental receivables

The Company only measures loans and receivables, Lease rentals receivable and stock out on hire and debt & other financial instruments at amortised cost if both of the following conditions are met,

- The financial asset is held within a business model with the objective of collecting contractual cash flows
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below,

a) Business model assessment

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objectives.

The Company's business model is not assessed on an instrument-by instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel
- The risk that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected.
- The expected frequency, value and timing of sales are also important aspects of the Group's assessment

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios in to account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

b) The SPPI test

As a second step of its classification process, the Company assesses the contractual terms of financial instruments to identify whether they meet the SPPI test. Principal for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial assets (for example, if there are repayments of principal or amortization of the premium/ discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial assets is denominated and the period for which the interest rate is set. In contrast, contractual terms that introduce a more than de-Minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

5.5.3.2 Financial assets or financial liabilities at Fair Value through Profit or Loss (FVPL)

The Company classified financial assets or financial liabilities as held for trading when they have been purchased or issued primarily for short term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent patterns of short term profit taking. Held for trading assets and liabilities are recorded and measured in the statement of financial position at fair value. Changes in fair value are recognized in net trading income. Interest income from financial assets held for trading is recorded under net interest income while dividend income is recorded in net trading income when the right to payment has been established. Included in this classification are debt securities and equity investments that have been acquired principally for the purpose of selling or repurchasing in the near term.

5.5.3.3 Equity instruments at FVOCI

Upon initial recognition, the Company occasionally elects to classify irrevocably some of its equity investments at FVOCI when they meet the definition of equity under LKAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI equity instruments are not subject to an impairment assessment.

5.5.3.4 Debt issued and other borrowed funds

After initial measurement, debt issued and other borrowed funds are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issue of funds and costs that are an integral part of the EIR. The Company does not have compound financial instruments that contains both liability and equity components and require separation as at the date of the issue.

5.5.3.5 Financial guarantees and undrawn loan commitments

The Company issues financial guarantees and loan commitments. Financial guarantees are initially recognized in the financial statements at fair value, being the premium received. Subsequent to initial recognition, the Company's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognised in the income statement, and the ECL provision.

The premium received is recognised in the income statement under net fees and commission income on a straight-line basis over the life of the guarantee.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Company is required to provide a loan with pre-specified terms to the customer.

The nominal contractual value of financial guarantees and undrawn loan commitments where the loan agreed to be provided is on market terms, are not recorded in the statement of financial position. The nominal values of these instruments together with the corresponding ECLs are disclosed in Note 50.

5.5.3.6 Reclassification of financial assets and liabilities

The Company does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company may acquire, dispose of, or terminates a business line (change in business model). When the Company reclassifies its financial assets, it applies the

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reclassification prospectively from the reclassification date without restating any previously recognised gains, losses (including impairment gains or losses) or interest. Financial liabilities are never reclassified when a financial asset is reclassified out of the amortised cost measurement category and into the fair value through profit or loss measurement category, its fair value is measure at the reclassification date. Any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognised in profit or loss.

When a financial asset is reclassified out of the fair value through profit or loss measurement category and into the amortised cost measurement category, its fair value at the reclassified date becomes its new gross carrying amount.

When a financial asset is reclassified out of the amortized cost measurement category and into the fair value through other comprehensive income measurement category, its fair value is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortised cost of the financial asset and fair value is recognised in other comprehensive income.

The effective interest rate and the measurement of expected credit losses are not adjusted as a result of reclassification.

When a financial asset is reclassified out of the fair value through other comprehensive income measurement category and into the amortised cost measurement category, the financial asset is reclassified at its fair value at the reclassification date. However, the cumulative gain or loss previously recognised in other comprehensive income is removed from equity and adjusted against the fair value of the financial asset at the reclassification date. As a result, the financial asset is measured at the reclassification date as if it had always been measured at amortised cost.

The effective interest rate and measurement of expected rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.

When a financial asset is reclassified out of the fair value through profit or loss measurement category and into the fair value through other comprehensive income measurement category, the financial asset continues to be measured at fair value.

When a financial asset is reclassified out of the fair value through other comprehensive income measurement category and into the fair value through profit or loss measurement category. The financial asset continues to be measured at fair value. The cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

Covid-19 pandemic has resulted in significant volatility in the financial markets. However, the Company did not require to reclassify any of its financial assets as a result of the significant volatility created by the pandemic.

5.5.4 Derecognition of financial assets and liabilities

5.5.4.1 Derecognition due to substantial modification of terms and conditions

The Company de-recognizes a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognized loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be credit impaired at the date of inception.

When assessing whether or not to de-recognize a loan to a customer, amongst others, the Group considers the following factors:

- Introduction of an equity feature
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criteria

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the group records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

5.5.4.2 De-recognition other than for substantial modification

a) Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is derecognized when the rights to receive cash flows from the financial asset have expired. The Group also derecognizes the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Company has transferred the financial asset if and only if, either:

- The Company has transferred its contractual rights to receive cash flows from the financial asset

Or

- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flow in full without material delay to a third party under a 'pass-through' arrangement

Pass-through arrangements are transactions whereby the Company retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Company has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates
- The Company cannot sell or pledge the original asset other than as security to the eventual recipients
- The Company has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Company is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either,

- The Company has transferred substantially all the risks and rewards of the asset.

Or

- The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Company considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Company has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognized only to the extent of the Company's continuing involvement, in which case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Company could be required to pay.

As explained in Note 5.5.3.6 modifications to the original terms and conditions of the loans due to Covid-19 moratorium, did not result in a derecognition of the original loans as the company concluded that the modifications were not substantial. Since the debt moratorium process significantly impacted to the Company's portfolio resulting in a revision to the original average effective rate of the moratorium portfolio as well as a significant extension on the average maturity of the moratorium portfolio, the management of the view that there is a substantial change of terms by this modification. Therefore, the Company adjusted original effective rate for moratorium facilities and accounted accordingly.

b) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

5.5.5 Impairment allowance for financial assets

5.5.5.1 Overview of the ECL principles

The Company has been recording the impairment for expected credit losses for all loans and debt & other financial instruments not held at FVPL, together with loan commitments and financial guarantee contracts. Equity instruments are not subject to impairment under SLFRS 9.

The ECL impairment is based on the credit losses expected to arise over the life of the asset (the

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lifetime Expected Credit Loss or (LTECL)], unless there has been no significant increase in credit risk since origination, in which case, the impairment is based on the 12 months' Expected Credit Loss (12mECL). The Company's policies for determining if there has been a significant increase in credit risk are set out in note 5.5.5.1(a)

To support our clients through the COVID-19 pandemic, we have launched various relief programs. Utilization of a payment deferral program does not, all else being equal, automatically trigger a significant increase in credit risk.

The Company has applied expert credit judgement (Management Overlays), including consideration of the significant government assistance programs, in the assessment of underlying credit deterioration and migration of balances to progressive stages. The Company considered both quantitative and qualitative information in the assessment of significant increase in credit risk. Utilization of a payment deferral program was not necessarily considered an immediate trigger, in keeping with CA Sri Lanka and regulatory guidance, for an account to migrate to a progressive stage. Early observations of payment behavior of expiries for this year were considered in the assessment of the changes in the risk of default occurring over the expected life of a financial instrument when determining staging and is a key input in determining migration.

The measurement of expected credit losses for each stage and the assessment of significant increase in credit risk considers information about past events and current conditions as well as reasonable and supportable projections of future events and economic conditions. The estimation and application of forward-looking information requires significant judgment.

The PD, LGD and EAD inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio. Each macroeconomic scenario used in our expected credit loss calculation includes a projection of all relevant macroeconomic variables used in our models for a five year period, subsequently reverting to long-run averages. Macroeconomic variables used in our expected credit loss models include, but are not limited to, unemployment rates, gross domestic product growth rates, interest rates and inflations.

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on financial instruments that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. The policy for grouping financial assets measured on a collective basis is explained in Note 5.5.5.4. The details of individual assessment of ECLs are given in Note 5.5.5.3.

The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. This is further explained in Note 5.5.5.1.(a). Based on the above process, the Company categorize its loans into 'Stage 1', 'Stage 2', 'Stage 3' and 'originated credit impaired', as described below:

- Stage 1

  When loans are first recognized, the group recognizes an impairment based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from stage 2.

- Stage 2

  When a loan has shown a significant increase in credit risk since origination, the Group records an impairment for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from stage 3.

- Stage 3

  Loans considered credit impaired (as outlined in Note 5.5.5]. The Company records an impairment for the LTECLs.

The Company is focused on supporting customers who are experiencing financial difficulties because of the Covid-19 pandemic and has offered a range of industry-wide financial assistance measures including the debt moratorium initiated by the Central Bank of Sri Lanka. As per industry guidance, eligibility for the debt moratorium does not automatically result in a significant increase in credit risk (SICR) which moves an exposure from stage 1 (12-month ECL) to stage

2 (lifetime ECL).

- Originated credit impaired

  Originated credit impaired assets are financial assets that are credit impaired on initial recognition. They are recorded at fair value at original recognition and interest income is subsequently recognized based on a credit-adjusted EIR. ECLs are only recognized or released to the extent that there is a subsequent change in the expected credit losses.

  For financial assets for which the Company has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

5.5.5.1 (a) Definition of default and cure

The Company consider a financial instrument as defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

As a part of a qualitative assessment of whether an individually significant customer is in default, the Group also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate.

Such events include:

- Internal rating of the borrower indicating default or near-default
- The borrower requesting emergency funding
- The borrower having past due liabilities to public creditors or employees
- The borrower is deceased
- A material decrease in the underlying collateral value where the recovery of the loan is expected from the sale of the collateral
- A material decrease in the borrower's turnover or the loss of a major customer
- A covenant breach not waived by the Company
- The debtor (or any legal entity within the debtor's group) filing for bankruptcy application/ protection
- Debtor's listed debt or equity suspended at the primary exchange because of rumors or facts about the financial difficulties

It is the Company's policy to consider a financial instrument as "cured" and therefore re-classified out of Stage 3 when none of the default criteria has been present. Once cured, the decision whether to classify an asset as Stage 2 or Stage 1 largely depends on the days past due, at the time of the cure. The Company's criterion for 'cure' for rescheduled / restructured loans is more stringent than ordinary loans and is explained in Note 5.5.5.10.

5.5.5.1 (b) Significant increase in credit risk

The Company continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Company assesses whether there has been a significant increase in credit risk, since initial recognition. The Company considers an exposure to have a significantly increased credit risk when it is past due for more than 30 days.

The Company also applies a secondary qualitative method for triggering a significant increase in credit risk, such as restructuring or rescheduling of an assets while the asset is less than 30 days past due. In certain cases, the Company may also consider that events explained in note 5.5.5.1(a) are significant increase in credit risk as opposed to a default, for customers who are considered as individually significant.

5.5.5.2 The calculation of ECL

The Company calculates ECL based on three probability-weighted scenarios to measure the expected cash shortfall (the base case, best case and the worst case), discounted at an approximation to the EIR. Each of these is associated with different loss rates. The assessment of multiple scenarios incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

Key elements of the ECL calculations are outlined below:

- Probability of Default (PD)

  The PD is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio. The concept of PDs is further explained in Note 5.5.5.4(a).

- Exposure at default (EAD)

  The EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. The EAD is further explained in Note 5.5.5.4(b).

- Loss Given Default (LGD)

  The LGD is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD. The LGD is further explained in Note 5.5.5.4.(c).

  With the exception of revolving facilities, for which the treatment is separately set out in Note 5.5.5.5, the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Company has the legal right to call it earlier.

5.5.5.3 Calculation of Expected Credit Losses for Individually significant loans

The Company first assess ECLs individually for financial assets that are individually significant. In the event the Company determines that such assets are not impaired (Not in stage 3), it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. However, assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. The criteria used to determine whether individually significant customer is in default is discussed in Note 5.5.5.1(a).

If the asset is impaired, the amount of the loss is measured by discounting the expected future cash flows of a financial assets at its original effective interest rate and comparing the resultant present value with the Financial asset's current carrying amount. The impairment on individually significant accounts are reviewed more regularly when circumstances require. This normally encompasses re-assessment of the enforceability of any collateral held and the timing and amount of actual and anticipated receipts. Individually assessed impairment is only released when there is reasonable and objective evidence of a reduction in the established loss estimate. Interest on impaired assets continues to be recognized through the unwinding of the discount.

When ECLs are determined for individually significant financial assets, following factors are considered:

- Aggregate exposure to the customer including any undrawn exposures;
- The viability of the customer's business model and their capacity to trade successfully out of financial difficulties and generate sufficient cash flow to service debt obligations
- The amount and timing of expected receipts and recoveries
- The extent of other creditors' commitments ranking ahead of, or pari-passu with the Company and the likelihood of other creditors continuing to support the Company;

5.5.5.4 Grouping of financial assets measured on a collective basis

The Company calculates ECLs either on a collective or an individual basis. Asset classes where the Company calculates ECL on an individual basis include all customers whose exposure is more than or equal to the internal threshold for classifying them as individually significant. However, if the customer is determined to be in stage 1 or stage 2, such customers are moved back to collective ECL calculation.

For all other asset classes, the Company calculates ECL on a collective basis. The Company categorizes these exposures into smaller homogeneous portfolios, based on a combination of internal and external characteristics of the loans, as described below:

- Product type
- Type of collateral
- Whether the loan is restructured / rescheduled

5.5.5.4 (a) PD Estimation process

PD estimation for loans and advances to other customers under SLFRS 9 is largely based on the Days Past Due (DPD) of the customers which is common for most Financial Institutions in the country at present.

Accordingly, exposures are categorized among 5 categories based on the DPD as follows,

- Zero days past due
- 1 – 30 days past due
- 31 - 60 days past due
- 61 – 90 days past due
- Above 90 days past due

The movement of the customers in to bad DPD categories are tracked at each account level over the periods and it is used to estimate the amount of loans that will eventually be written off.

5.5.5.4 (b) Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan, the Company assesses the possible default events within 12 months. However, if a Stage 1 loan that is expected to default within the 12 months from the balance sheet date is also expected to cure and subsequently default again, then all linked default events are taken into account. For Stage 2 and stage 3 financial assets and credit impaired financial assets at origination, events over the lifetime of the instruments are considered. The Company determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The SLFRS 9 PDs are then assigned to each economic scenario based on the outcome of Company's models.

5.5.5.4 (c) Loss Given Default

LGD values are assessed at least annually for each material collateral type. The Company segregates its customer loan book based on following major types of collaterals when calculating the LGD.

- Secured against motor vehicles and other movable properties
- Secured against immovable property
- Secured against cash / deposits held within the company
- Secured against gold

These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realized from any collateral held. Historically collected loss data is used for LGD calculation and involves a wider set of transaction characteristics (e.g., product type, collateral type) as well as borrower characteristics. The LGD rates, where possible, are calibrated through back testing against recent recoveries.

5.5.5.5 Other revolving facilities

The Company's product offering includes Factoring and draft facilities in which the company has the right to cancel and/or reduce the facilities with a very short notice. The Company does not limit its exposure to credit losses to the contractual notice period, but instead calculates ECL over a period of 12 months to reflect the Company's expectations of the customer behavior, its likelihood of default and the Company's future risk mitigation procedures, which could include reducing or cancelling the facilities.

5.5.5.6 Forward looking information

In its ECL models, the Company relies on a broad range of forward looking information as economic inputs, such as:

- GDP growth
- Unemployment rates
- Interest rates
- Exchange rate
- Inflation rate

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary completeness and accuracy, the Company obtains the above data from third party sources (Central Bank, World Bank and International Monetary Fund etc).

5.5.5.7 Collateral valuation

To mitigate its credit risks on financial assets, the Company seeks to use collateral, where possible. The collateral comes in various forms, such as motor vehicles, cash, guarantees, real estate, receivables, inventories and other non-financial assets.

To the extent possible, the Company uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as independent valuation specialists.

5.5.5.8 Collateral repossessed

The Company's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to the relevant asset category.

5.5.5.9 Write-offs

Financial assets are written off either partly or in their entirety only when the Company has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated impairment, the difference is first treated as an addition to the impairment that is then applied against the gross carrying amount. Any subsequent recoveries are credited to the statement of profit or loss.

5.5.5.10 Rescheduled and restructured loans

The Company sometimes makes concessions or modifications to the original terms of loans in response to the borrower's financial difficulties, taking possession of the collateral. The Company considers a loan as rescheduled / restructured, when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the company would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department. Reschedulement / restructure may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is the Company's policy to monitor future payments of these loans are paid as agreed.

As Per the SLFRS 09 rescheduled / restructured loans are at a minimum classified as stage 2 at the date of the modification of the loan. The Company also consider whether such assets should be classified as Stage 3. Once an asset has been classified as stage 3, it will remain in stage 3 until it becomes performing (less than 30 days past due) but still be subjective for LTECL.

5.6 Lease

5.6.1 Identification of a Lease

Previously, the Company determined, at contract inception, whether an arrangement is or contains a lease under LKAS 17/ IFRIC 4. Under SLFRS 16, the Company assesses whether a contract is or contains a lease based on the definition of lease as explained in Note 20.

On transition, the Company elected to apply SLFRS 16, only to contracts that were previously identified as leases. Contracts that were not identified as leases under LKAS 17/IFRIC 4 were not reassessed to ascertain whether there is a lease. Therefore, the definition of a lease under SLFRS 16, was applied only to contracts entered in to or changed on or after 1st January 2019.

The Company applied SLFRS 16 using the modified retrospective approach and thereby the comparative figures were not restated and continues to be reported under LKAS 17.

5.6.2 As a Lessor

Lessor accounting under SLFRS 16 is substantially unchanged from LKAS 17. Lessor will continue to classify leases as either operating leases or finance leases using similar principles as in LKAS 17. Therefore, SLFRS 16 does not have an impact for leases where the Company is the lessor.

5.6.3 As a Lessee

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying assets to the Company. Under SLFRS 16, the Company recognises right of the use of assets and lease liabilities for most leases except for short term leases to which the Company applied recognition exemptions in SLFRS 16.

5.6.3.1 Leases classified as operating leases under LKAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments discounted at the incremental borrowing rates as at 1st April 2019. Rights of use of assets are measured at an amount equal to the lease liability, adjusted by the amount of any pre-paid or accrued lease payments.

In addition, the Company applied following practical expedients permitted by SLFRS 16, to Leases previously classified as operating leases under LKAS 17.

- Applied a Single discount rate to a portfolio of leases with similar characteristics
- Applied the exemption not to recognize right of use assets and liabilities for leases with less than 12 months of lease term.
- Exclude initial direct costs, from the measurement of the right of use asset for leases previously accounted for as operating leases at the date of initial application.
- Used hindsight when determining the lease term of the contract contains options to extend or terminate the lease.

5.7 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's (Cash Generating Unit) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimate the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of profit or loss.

5.8 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the Statement of profit or loss net of any reimbursement.

5.9 Taxation

5.9.1 Current Taxes

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the Statement of profit or loss.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Refer note No. 28 for the accounting policy for deferred taxation.

5.9.2 VAT on Financial Services

VAT on financial services is calculated in accordance with VAT Act No.14 of 2002 and subsequent amendments thereto.

5.9.3 Social Security Contribution Levy (SSCL)

Social Security Contribution Levy (SSCL) shall be paid by any person carrying on the business of supplying financial services, on the liable turnover specified in the Second Schedule of the Social Security Contribution Levy Act No.25 of 2022 (SSCL Act), at the rate of 2.5%, with effect from 01 October 2022.SSCL is payable on 100% of the Value Addition attributable to financial services.

The Value Addition attributable to financial services shall be computed for the payment of SSCL on the business of supplying financial services by applying the attributable method referred in to Chapter IIIA of the Value Added Tax Act No. 14 of 2002.

5.9.4 Surcharge Tax

The Government of Sri Lanka imposed a one-time tax, referred to as a Surcharge Tax in 2022,as the rate of 25% on group of companies that have earned a taxable income in excess of Rs.2,000 Million for the year of assessment 2020/2021.According to the Surcharge Tax Act No. 14 of 2022,the Surcharge Tax shall be deemed to be an expenditure in the financial statements commenced on 1 January 2020.Since the Act supersedes the requirements of the Sri Lanka Accounting Standards, the Surcharge Tax expense has been accounted as recommended by the SoAT on Accounting for Surcharge Tax issued by the Institute of Chartered Accountants of Sri Lanka. Accordingly, the Company has recognized the total liability to the Surcharge Tax as an adjustment to the opening retained earnings as at 01 April 2022.

5.10 Recognition of Income and Expense

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following recognition criteria must also be met before revenue is recognized.

(i) Interest Income and Interest Expense

For all financial instruments measured at amortized cost, interest bearing financial assets classified as available for sale and financial instruments designated at fair value through profit or loss, interest income or expense is recorded using the EIR. EIR is the rate exactly discounts estimated future cash payment or receipt through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial assets and financial liability.

The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

The carrying amount of the financial

assets and liability is adjusted if the Company revises its estimates of payment and receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Interest and similar income' for the financial assets and 'Interest and similar expense' for financial liabilities.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(ii) Fee and commission income

The Company earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

a) Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and etc.

b)Fee income from providing transaction service

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the purchase or sale of business is recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria.

c) Dividend Income

Dividend income is recognized when the right to receive the payment is established.

d) Real Estate Sales

Revenue from the real estate sale is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

6. EFFECT OF SRI LANKA ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE AS AT 31 MARCH 2023

The new and amended standards and interpretations that are issued up to the date of issuance of the Company's financial statements but are not effective for the current annual reporting period, are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

6.1 SLFRS 17 Insurance Contracts

SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace SLFRS 4 Insurance Contracts that was issued in 2005. SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of SLFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in SLFRS 4, which are largely based on grandfathering previous local accounting policies, SLFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of SLFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)

- A simplified approach (the premium allocation approach) mainly for short-duration contracts

SLFRS 17 is effective for annual reporting periods beginning on or after 1 January 2025, with comparative figures required. Early application is permitted, provided the entity also applies SLFRS 9 and SLFRS 15 on or before the date it first applies SLFRS 17.

6.2 Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to LKAS 12

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

Also, under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

6.3 **Definition of Accounting Estimates - Amendments to LKAS 8**

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted.

6.4 **Disclosure of Accounting Policies - Amendments to LKAS 1 and IFRS Practice Statement 2**

Amendments to LKAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by,

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies.
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

6.5 **Classification of Liabilities as Current or Non-current - Amendments to LKAS 1**

Amendments to LKAS 1 Presentation of Financial Statements specify the requirements for classifying liabilities as current or non-current. The amendments clarify,

- What is meant by a right to defer settlement.
- That a right to defer must exist at the end of the reporting period.
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification .

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

None of the new or amended pronouncements are expected to have a material impact on the Financial Statements in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

7 CASH AND BANK BALANCES

As at 31 March 2023	Company		Group
	2023	2022	2023
	LKR	LKR	LKR
Cash in Hand	383,505,725	474,485,686	383,505,725
Balances with banks	2,053,636,355	2,157,769,430	2,071,781,124
	2,437,142,080	2,632,255,116	2,455,286,849

ACCOUNTING POLICY

Cash and cash equivalents are defined as cash in hand, demand deposits and investments with short maturities i.e. three months or less from the date of acquisition.

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand, deposits in banks net of outstanding bank overdrafts and reverse repurchase agreements. Investments with short maturities i.e. those having original maturities of three months or less from the date of acquisition are also treated as cash equivalents.

8 PLACEMENTS WITH BANKS

As at 31 March 2023	Company/ Group	
	2023	2022
	LKR	LKR
Time deposits	2,666,933,510	1,774,213,998
Savings deposits	11,655	37,670,154
	2,666,945,165	1,811,884,152

9. FINANCIAL ASSETES RECOGNISED THROUGH PROFIT OR LOSS - MEASURED AT FAIR VALUE

As at 31 March 2023	Company		Group
	2023	2022	2023
	LKR	LKR	LKR
Government of Sri Lanka Treasury bills	8,433,839,633	5,064,096,026	8,434,058,373
Quoted equity investments (Note 9.1)	3,390,277	23,418,648	3,390,277
	8,437,229,910	5,087,514,674	8,437,448,650

9.1 Quoted Equity Investments

As at 31 March 2023	Company / Group					
	2023			2022		
	No. of Shares	Cost of Investment LKR	Market Value LKR	No. of Shares	Cost of Investment LKR	Market Value LKR
Access Engineering PLC	-	-	-	300,000	6,288,506	4,500,000
ACL Cables PLC	-	-	-	72,000	3,671,855	4,104,000
Chevron Lubricants Lanka PLC	-	-	-	32,781	3,145,043	2,855,225
Dipped Products PLC	-	-	-	59,260	2,293,465	1,925,950
Entrust Securities PLC	-	-	-	10,000	240,000	240,000
Hatton National Bank PLC	-	-	-	10,720	1,459,429	1,171,160
Janashakthi Insurance Company PLC	-	-	-	15,251	5,143,602	343,148
John Keells Holdings PLC	14,185	1,992,618	1,985,900	3,917	598,787	567,965
MTD Walkers PLC	-	-	-	132,000	5,744,058	1,953,600
Nations Trust Bank PLC	-	-	-	8,908	617,187	401,751
NDB Bank PLC	-	-	-	13,295	1,235,037	905,390
Orient Finance PLC	-	-	-	330,000	4,290,000	4,290,000
Serandib Hotels PLC	-	-	-	10,000	185,535	160,000
Lanka IOC PLC	5,390	1,002,846	924,385	-	-	-
Balangoda Plantations PLC	2,283	161,156	151,364	-	-	-
Pegasus Hotels Of Ceylon PLC	9,581	290,304	328,628	-	-	-
Total		3,446,924	3,390,277	-	34,912,505	23,418,648

10. LOANS AND RECEIVABLES

As at 31 March 2023	Company / Group	
	2023 LKR	2022 LKR
Loan against fixed deposit	1,646,550,262	1,235,875,171
Short Term loans	406,959,727	746,816,669
Microfinance loans	3,024,908,032	2,709,169,903
Abhivurdhi SME loans	138,558,130	86,009,777
Business loans	223,171,713	291,591,489
Gold Loans	12,356,061,941	10,292,743,526
Gold loan advances	59,579	837,074
Factoring receivables	44,753,506	48,344,767
Term draft loans	1,543,365,710	1,742,769,355
Auto Loans	1,944,845,754	2,369,509,727
Staff Loans	248,809,013	234,290,021
Education Loans	164,662,544	223,873,358
Other Loans	553,480,536	448,629,798
	22,296,186,446	20,430,460,637
Less : Allowance for impairment losses (Note 10.1)	(1,267,808,805)	(1,440,140,878)
Net loans and advances	21,028,377,642	18,990,319,759

NOTES TO THE FINANCIAL STATEMENTS

10. LOANS AND RECEIVABLES (Contd...)

10.1 Allowance for impairment losses

As at 31 March 2023	Company /Group	
	2023	2022
	LKR	LKR
Balance as at 1st April	1,440,140,878	1,695,204,160
Charge / (Reversal) for the year	178,687,288	104,387,358
Amounts written off	(351,019,361)	(359,450,640)
As at 31 March	1,267,808,805	1,440,140,878

The Company's allowance for impairment losses consists of collective impairment amounting to LKR 1,121,608,414/- (2022 - LKR 1,294,363,916/-) and individual impairment amounting to LKR 146,200,391/- (2022 - LKR 145,776,962/-).

10.1.1 Disclosure on Staging of Financial Asset

Credit Exposure Movement (Company / Group)

2023	Stage 1	Stage 2	Stage 3	Total
Balance as at 01st April 2022	14,843,364,154	3,029,890,056	2,557,206,426	20,430,460,637
During the year granted	15,269,603,232	2,615,253,875	684,589,825	18,569,446,932
W/O	(18,650,380)	(126,319,363)	(214,060,646)	(359,030,389)
Recoveries	(12,905,487,313)	(2,082,651,284)	(1,356,552,135)	(16,344,690,732)
Stage 1	(1,239,256,937)	913,075,920	326,181,017	-
Stage 2	46,310,837	(628,713,349)	582,402,511	-
Stage 3	9,569,922	66,187,654	(75,757,577)	-
As at 31 March 2023	16,005,453,515	3,786,723,509	2,504,009,421	22,296,186,446

2022	Stage 1	Stage 2	Stage 3	Total
Balance as at 01st April 2021	13,478,155,441	3,704,584,705	3,113,480,356	20,296,220,502
During the year granted	14,625,473,687	1,900,686,973	793,168,501	17,319,329,160
W/O	(8,213,349)	(3,717,375)	(361,707,314)	(373,638,039)
Recoveries	(12,241,974,019)	(3,067,327,721)	(1,502,149,247)	(16,811,450,987)
Stage 1	(1,188,229,363)	809,168,351	379,061,012	-
Stage 2	128,218,978	(393,855,346)	265,636,367	-
Stage 3	49,932,780	80,350,470	(130,283,250)	-
As at 31 March 2022	14,843,364,154	3,029,890,056	2,557,206,426	20,430,460,636

Provision for impairment movement (Company / Group)

	Stage 1	Stage 2	Stage 3	Total
Balance as at 01st April 2022	309,980,759	363,529,169	766,630,950	1,440,140,878
Charge/(write back) to the Income Statement	(120,503,898)	(22,189,107)	321,380,293	178,687,288
Stage 1	(52,496,629)	37,564,451	14,932,178	-
Stage 2	3,871,915	(119,567,209)	115,695,294	-
Stage 3	827,166	12,216,514	(13,043,680)	-
Amounts written off	-	-	(351,019,361)	(351,019,361)
As at 31 March 2023	141,679,313	271,553,818	854,575,674	1,267,808,805

	Stage 1	Stage 2	Stage 3	Total
Balance as at 01st April 2021	418,653,749	258,766,913	1,017,783,498	1,695,204,160
Charge/(write back) to the Income Statement	(552,375)	41,654,343	63,285,390	104,387,358
Stage 1	(128,262,202)	75,127,560	53,134,641	-
Stage 2	8,318,132	(36,818,945)	28,500,813	-
Stage 3	11,823,454	24,799,298	(36,622,752)	-
Amounts written off	-	-	(359,450,640)	(359,450,640)
As at 31 March 2022	309,980,759	363,529,169	766,630,950	1,440,140,878

10.2 Gross Loans and Receivables

2023 - LKR (Company / Group)

	Stage 1	Stage 2	Stage 3	Total
Loan against fixed deposit	1,171,350,512	256,985,396	218,214,354	1,646,550,262
Short Term loans	38,855,831	86,933,812	281,170,084	406,959,727
Microfinance loans	2,857,775,401	37,970,920	129,161,711	3,024,908,032
Abhivurdhi SME loans	114,252,955	1,810,592	22,494,583	138,558,130
Business loans	163,272,442	7,853,680	52,045,591	223,171,713
Gold Loans / Gold loan advances	10,304,081,690	1,928,960,243	123,079,586	12,356,121,519
Factoring receivables	17,241,474	-	27,512,032	44,753,506
Term draft loans	881,289,804	280,092,608	381,983,298	1,543,365,710
Auto Loans	224,280,098	941,550,935	779,014,721	1,944,845,754
Staff Loans	145,451,553	98,119,602	5,237,859	248,809,014
Education Loans	50,650,258	38,632,260	75,380,025	164,662,543
Other Loans	36,951,497	107,813,461	408,715,578	553,480,536
	16,005,453,515	3,786,723,509	2,504,009,422	22,296,186,446

NOTES TO THE FINANCIAL STATEMENTS

10. LOANS AND RECEIVABLES (Contd...)

10.2 Gross Loans and Receivables (Contd...)

Less: Impairment allowance

	Stage 1	Stage 2	Stage 3	Total
Short Term loans	5,709,066	39,817,536	182,719,195	228,245,797
Microfinance loans	12,205,762	11,699,715	90,585,473	114,490,950
Abhivurdhi SME loans	9,639,957	976,752	12,727,663	23,344,372
Business loans	7,103,346	2,690,900	41,237,710	51,031,956
Gold Loan / Gold loan advances	72,178,543	57,043,123	18,737,628	147,959,294
Factoring receivables	-	-	58,707,757	58,707,757
Term draft loans	16,133,105	11,122,086	145,012,204	172,267,395
Auto Loans	4,842,306	64,946,702	98,425,075	168,214,083
Staff Loans	3,966,224	30,122,440	24,974,331	59,062,995
Education Loans	1,952,141	4,205,712	17,029,101	23,186,954
Other Loans	7,948,863	48,928,852	164,419,537	221,297,252
	141,679,313	271,553,818	854,575,674	1,267,808,805
Net Loans and Receivables	15,863,774,202	3,515,169,691	1,649,433,748	21,028,377,642

2022 - LKR

	Stage 1	Stage 2	Stage 3	Total
Loan against fixed deposit	861,834,450	161,458,925	212,581,797	1,235,875,171
Short term loans	118,986,621	237,468,275	390,361,774	746,816,669
Microfinance loans	2,562,577,592	49,995,113	96,597,198	2,709,169,903
Abhivurdhi SME loans	42,773,798	3,433,208	39,802,771	86,009,777
Business loans	222,716,283	8,989,227	59,885,980	291,591,489
Gold Loans / Gold loan advances	8,590,346,896	1,117,754,332	585,479,373	10,293,580,600
Factoring receivables	18,822,514	226,891	29,295,362	48,344,767
Term draft loans	1,223,788,452	306,008,719	212,972,184	1,742,769,355
Auto Loans	856,878,287	963,540,065	549,091,375	2,369,509,727
Staff Loans	190,064,232	7,086,032	37,139,757	234,290,021
Education Loans	77,229,981	68,832,206	77,811,171	223,873,358
Other Loans	77,345,050	105,097,063	266,187,685	448,629,798
	14,843,364,154	3,029,890,056	2,557,206,426	20,430,460,636

Less: Impairment allowance

	Stage 1	Stage 2	Stage 3	Total
Short term loans	16,864,042	85,587,255	208,506,859	310,958,156
Microfinance loans	29,994,934	17,563,075	59,604,481	107,162,490
Abhivurdhi SME loans	3,515,681	1,535,113	18,435,820	23,486,615
Business loans	11,343,410	3,584,223	39,472,492	54,400,124
Gold Loan / Gold loan advances	158,275,790	88,726,384	58,403,491	305,405,665
Factoring receivables	658,818	226,891	51,306,228	52,191,938
Term draft loans	34,819,912	10,548,203	104,853,001	150,221,115
Auto Loans	13,083,593	52,869,530	74,534,305	140,487,429
Staff Loans	5,503,962	2,932,601	21,919,884	30,356,446
Education Loans	2,274,468	7,827,784	15,156,953	25,259,206
Other Loans	33,646,148	92,128,111	114,437,436	240,211,695
	309,980,759	363,529,169	766,630,950	1,440,140,878
Net Loans and Receivables	14,533,383,395	2,666,360,887	1,790,575,476	18,990,319,759

11. LEASE RENTALS RECEIVABLE AND STOCKS OUT ON HIRE

As at 31 March 2023	Company /Group	
	2023	2022
	LKR	LKR
Gross rentals receivable		
- Lease rentals	45,907,434,922	54,643,315,799
- Amounts receivable from hirers	42,930,039,089	31,465,369,443
	88,837,474,011	86,108,685,242
Less: Unearned income	(26,512,747,622)	(25,782,579,240)
Net rentals receivable	62,324,726,389	60,326,106,002
Less : Allowance for impairment losses (Note 11.1)	(7,182,440,880)	(5,323,091,722)
Total net rentals receivable (Note 11.2 & 11.3)	55,142,285,509	55,003,014,280

11.1 Allowance for impairment losses

As at 31 March 2023	Company	
	2023	2022
	LKR	LKR
Balance as at 1st April	5,323,091,722	4,370,772,897
Charge / (Reversal) for the year	3,235,870,980	1,651,307,815
Amounts written off	(1,376,521,820)	(698,988,991)
As at 31 March	7,182,440,880	5,323,091,722

The Company's allowance for impairment losses consists of collective impairment amounting to LKR 7,181,608,679/- (2022 collective impairment -LKR 5,287,830,383/-) and individual impairment amounting LKR.832,200/- (2022 - LKR 35,261,339/-)

NOTES TO THE FINANCIAL STATEMENTS

11. LEASE RENTALS RECEIVABLE AND STOCKS OUT ON HIRE (Contd...)

11.2 Gross rentals receivable (Company / Group)

2023	Stage 1	Stage 2	Stage 3	Unearned Income	Total
Lease	5,595,850,128	20,303,955,182	20,007,629,612	(13,265,342,814)	32,642,092,108
Amounts receivable from hirers	11,579,678,927	21,573,958,816	9,776,401,346	(13,247,404,808)	29,682,634,281
	17,175,529,055	41,877,913,998	29,784,030,958	(26,512,747,622)	62,324,726,389
Less: Impairment allowance					
Lease	198,454,976	1,513,563,168	3,137,181,068	-	4,849,199,212
Amounts receivable from hirers	292,623,147	1,076,023,661	964,594,860	-	2,333,241,668
	491,078,123	2,589,586,829	4,101,775,928	-	7,182,440,880
Net Loans and Receivables	16,684,450,932	39,288,327,169	25,682,255,030	(26,512,747,622)	55,142,285,509

2022	Stage 1	Stage 2	Stage 3	Unearned Income	Total
Lease	16,750,459,995	25,071,471,534	12,821,384,271	(15,922,665,750)	38,720,650,049
Amounts receivable from hirers	20,389,469,935	7,524,544,890	3,551,354,618	(9,859,913,490)	21,605,455,954
	37,139,929,930	32,596,016,424	16,372,738,888	(25,782,579,240)	60,326,106,002
Less: Impairment allowance					
Lease	452,124,163	1,542,437,545	2,020,015,196	-	4,014,576,903
Amounts receivable from hirers	543,609,184	380,912,812	383,992,823	-	1,308,514,820
	995,733,347	1,923,350,356	2,404,008,019	-	5,323,091,723
Net Loans and Receivables	36,144,196,583	30,672,666,068	13,968,730,869	(25,782,579,240)	55,003,014,280

11.3 Maturity of lease rentals receivables and stock out on hire - Company/Group

As at 31 March 2023	Within one year LKR	1 - 5 years LKR	Over 5 years LKR	Total LKR
Gross rentals receivable				
- Lease rentals	22,899,291,370	22,993,625,635	14,517,916	45,907,434,921
- Amounts receivable from hirers	25,924,462,354	17,005,296,174	280,561	42,930,039,089
	48,823,753,724	39,998,921,809	14,798,477	88,837,474,010
Less: Unearned income	(15,632,662,788)	(10,878,249,726)	(1,835,108)	(26,512,747,622)
Net rentals receivable	33,191,090,936	29,120,672,083	12,963,369	62,324,726,388
Less : Allowance for impairment losses				(7,182,440,880)
Total net rentals receivable				55,142,285,508

As at 31 March 2022	Within one year LKR	1 - 5 years LKR	Over 5 years LKR	Total LKR
Gross rentals receivable				
- Lease rentals	26,751,896,120	27,878,332,495	13,087,184	54,643,315,799
- Amounts receivable from hirers	18,206,015,611	13,259,353,832	-	31,465,369,443
	44,957,911,731	41,137,686,327	13,087,184	86,108,685,242
Less: Unearned income	(14,328,565,851)	(11,453,026,677)	(986,712)	(25,782,579,240)
Net rentals receivable	30,629,345,880	29,684,659,650	12,100,472	60,326,106,002
Less : Allowance for impairment Losses				(5,323,091,722)
Total net rentals receivable				55,003,014,280

11.4 Disclosure on Staging of Financial Asset

11.4.1 Credit Exposure Movement (Company / Group)

2023	Stage 1	Stage 2	Stage 3	Total
Balance as at 01st April 2022	24,295,570,374	23,026,019,533	13,004,516,095	60,326,106,002
During the year granted	8,931,354,862	13,538,284,065	4,907,220,427	27,376,859,354
W/O	(77,196,967)	(101,302,135)	(1,358,202,732)	(1,536,701,834)
Recoveries	(6,746,946,134)	(10,602,599,984)	(6,491,991,015)	(23,841,537,133)
Stage 1	(15,530,475,698)	12,112,029,798	3,418,445,900	-
Stage 2	402,257,793	(9,690,115,747)	9,287,857,954	-
Stage 3	53,780,163	647,150,369	(700,930,532)	-
As at 31 March 2023	11,328,344,393	28,929,465,899	22,066,916,097	62,324,726,389

2022	Stage 1	Stage 2	Stage 3	Total
Balance as at 01st April 2021	32,225,174,622	13,994,544,428	8,117,174,051	54,336,893,101
During the year granted	18,854,573,562	9,105,233,337	2,067,455,932	30,027,262,830
W/O	(45,451,562)	(64,683,078)	(827,748,361)	(937,883,000)
Recoveries	(12,739,953,134)	(6,962,092,124)	(3,398,121,672)	(23,100,166,929)
Stage 1	(15,240,698,808)	11,292,809,117	3,947,889,691	-
Stage 2	1,014,144,650	(4,938,772,673)	3,924,628,023	-
Stage 3	227,781,044	598,980,525	(826,761,569)	-
As at 31 March 2022	24,295,570,374	23,026,019,533	13,004,516,095	60,326,106,002

NOTES TO THE FINANCIAL STATEMENTS

11. LEASE RENTALS RECEIVABLE AND STOCKS OUT ON HIRE (Contd...)

11.4 Disclosure on Staging of Financial Asset (Contd...)

11.4.2 Provision for Impairment Movement (Company / Group)

2023	Stage 1	Stage 2	Stage 3	Total
Balance as at 01st April 2022	995,733,347	1,923,350,356	2,404,008,018	5,323,091,721
Charge/(write back) to the Income Statement	74,712,833	903,672,854	2,257,485,293	3,235,870,980
Stage 1	(634,107,213)	485,436,383	148,670,830	-
Stage 2	38,620,334	(823,983,892)	785,363,558	-
Stage 3	16,118,822	101,111,128	(117,229,951)	(1)
Amounts written off	-	-	(1,376,521,820)	(1,376,521,820)
As at 31 March 2023	491,078,123	2,589,586,829	4,101,775,928	7,182,440,880

2022	Stage 1	Stage 2	Stage 3	Total
Balance as at 01st April 2021	731,259,755	1,464,979,429	2,174,533,713	4,370,772,897
Charge/(write back) to the Income Statement	689,330,584	214,078,402	747,898,829	1,651,307,815
Stage 1	(596,905,384)	437,870,437	159,034,947	-
Stage 2	88,518,467	(354,718,451)	266,199,984	-
Stage 3	83,529,925	161,140,539	(244,670,464)	-
Amounts written off	-	-	(698,988,991)	(698,988,991)
As at 31 March 2022	995,733,347	1,923,350,356	2,404,008,018	5,323,091,721

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at 31 March 2023	Company /Group	
	2023	2022
	LKR	LKR
Financial assets at fair value through other comprehensive income		
Unquoted equity investments (Note 12.1)	2,554,019	2,554,019
	2,554,019	2,554,019

12.1 Unquoted Equity Investments

Company / Group	2023		
	No. of Shares	Carrying Value LKR	Fair Value LKR
Credit Information Bureau	200	700,504	2,354,019
Finance House Consortium (Pvt) Ltd	40,000	400,000	200,000
Total		1,100,504	2,554,019

13. OTHER FINANCIAL ASSETS

As at 31 March 2023	Company		Group
	2023	2022	2023
	LKR	LKR	LKR
Refundable deposits	43,402,011	45,896,014	43,402,011
Other receivables	7,418,071	298,276,868	39,848,128
Compensation receivable from government over acquisition of investment property (Note 13.1)	119,939,000	119,939,000	119,939,000
	170,759,082	464,111,883	203,189,138

13.1 Compensation receivable from government

As at 31 March 2023	Company /Group	
	2023	2022
	LKR	LKR
Government Compensation receivable	214,654,240	214,654,240
Less : Allowance for impairment losses (Note 13.2)	(94,715,240)	(94,715,240)
	119,939,000	119,939,000

13.2 Allowance for impairment losses

As at 31 March 2023	Company /Group	
	2023	2022
	LKR	LKR
Balance as at 01st April	94,715,240	94,715,240
Charge during the year	-	-
As at 31 March	94,715,240	94,715,240

14. INVENTORIES

As at 31 March 2023	Company /Group	
	2023	2022
	LKR	LKR
Real estate stocks	67,447,480	88,973,435
Vehicle stock	148,531,869	-
	215,979,349	88,973,435

As of 31 March 2023, provision for inventories amounting to LKR.9,529,332/- (2022-LKR.7,876,165/-) was recognised and the inventory balances are carried at net realisable value.

ACCOUNTING POLICY

Inventories are valued at the lower of cost and net realizable value. Company evaluates the net realizable value considering the current market prices at which such stocks can be sold in the ordinary course of business.

15. OTHER ASSETS

As at31 March 2023	Company 2023 LKR	Company 2022 LKR	Group 2023 LKR
Pre-paid expenses	399,489,369	253,072,976	399,489,369
Sundry assets	314,789,996	246,408,418	317,667,814
	714,279,365	499,481,394	717,157,183

16. INVESTMENT IN SUBSIDIARY

As at 31 March 2023	Company 2023 LKR	Company 2022 LKR	Group 2023 LKR
AMW Insurance Brokers (Pvt) Ltd	15,000,000	-	-
Total	15,000,000	-	-

A.M.W. Insurance Brokers (Private) Limited is a Limited Liability Company incorporated & domiciled in Sri Lanka. The registered office is situated at No.165,Kynsey Road, Colombo 08. The principle activities of the Company are the business of Insurance Brokering. On 31st August 2022 Company acquired the A.M.W Insurance Brokers (Private) Limited and the company holds 100% of voting shares of AMW Insurance Brokers (Pvt)Ltd.

The cost of an acquisition is measured at fair value of the consideration, which is cash consideration amounting to LKR.15,000,000.

17. INVESTMENT IN ASSOCIATES

As at 31 March 2023	Company /Group 2023 LKR	Company /Group 2022 LKR
TVS Lanka (Private) Limited		
TVS Lanka (Private) Ltd (Note 17.1)	342,306,353	300,640,397
	342,306,353	300,640,397

The Principle place of Business of TVS Lanka (Pvt) Ltd is located at No 38, Old Negombo Road ,Wattala.

The company holds 19.5% of voting shares of TVS Lanka (Pvt)Ltd.

17.1 TVS Lanka (Private) Limited

	2023	2022
As at 1 April	300,640,397	340,823,054
Share of profit/(loss) for the year	41,665,956	(40,182,657)
As at 31 March	342,306,353	300,640,397

17.2 The summerized financial information of the TVS Lanka (Private) Limited is as follows,

As at 31 March 2023	TVS Lanka (Private) Limited	
	2023	2022
	LKR	LKR
For the year ended 31 March		
Revenue	1,764,151,464	3,479,855,174
Expenses	1,550,479,898	3,534,055,834
Net Profit/(Loss) after tax for the year	213,671,566	(54,200,660)
As at 31 March		
Non Current Assets	1,058,759,358	301,358,942
Current Assets	2,722,233,025	3,729,045,486
Total assets	3,780,992,384	4,030,404,428
Total liabilities	1,874,927,384	2,488,658,800
Net Assets	1,906,065,000	1,541,745,628

18. INVESTMENT PROPERTY

As at 31 March 2023	Company /Group	
	2023	2022
	LKR	LKR
Balance as at 1 April	1,493,885,664	1,478,919,009
Acquired during the year	344,877,978	564,439,736
Disposal During the year	(63,499,700)	(258,844,102)
Transferred to Property Plant & Equipments	(592,759,757)	(493,750,000)
Net fair value adjustment	37,840,000	203,121,021
Balance as at 31 March	1,220,344,185	1,493,885,664

As at 31 March 2023	Company /Group	
	2023	2022
	LKR	LKR
Rental income derived from investment properties	28,412,734	13,034,000
Profit arising from investment properties carried at fair value	28,412,734	13,034,000

18.1 During the financial year 2014/2015, The government of Sri Lanka, under the provisions of section 38 of the land acquisition Act No.28 of 1964, has acquired the Lot numbers 1 to 77 in plan No. 87/2010 dated 14/07/2010 of the investment property located at Rassandeniya, Matara. The land extent acquired was 955 perches out of the total of 1511 perches.

By a letter dated 9th August 2019 the “Divisional Secretariat of Matara Four Gravets”, has been informed that the initiatives are in progress to pay the compensation. Further on 25 May 2016, the government of Sri Lanka, under the provisions of section 7 of the land acquisition Act No.28 of 1964, has issued the gazette notice detailing lands that is intended to be acquired and has requested the persons interested to claim for compensations through acquiring officer.

Accordingly, an amount corresponding to such compensation receivable was transferred to other financial assets reflected in Note 13.

18. INVESTMENT PROPERTY (Contd...)

18.2 Fair value of the investment property is ascertained by independent valuations carried out by Chartered valuation surveyors, who have recent experience in valuing properties of akin location and category. Investment property is appraised in accordance with SLFRS 13, International Valuation Standards published by the International Valuation Standards Committee (IVSC) and Sri Lankan Valuation Standrads by the independent valuers.

In determining the fair value, the current condition of the properties, future usability and associated redevelopment requirements have been considered. Also, the valuers have made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The appraised fair values are rounded within the range of values.

18.3 Investment properties are stated at fair value, which have been determined based on valuations performed by following independent chartered valuation surveyors, as at 31 March 2023.

1 Mr. Sunil Fernando
2 Mr.A.B.M.Gunadasa
3 Mr. H M N Herath
4 Mr.R M Gunarathna
5 Mr. L.K.D.A.Kulathunga
6 Mr. L P Wijeweera
7 Mrs.W.A.C.Wikramarachchi
8 Mr.M.A.A.Sarath
9 Mr.K.G.A.Shantha
10 Mr.T.M.B.Thennakoon
11 Mr.KUM Dissanayake
12 Mrs.G.Wanigathunga
13 Mr.M.M.S.Manathunga
14 Mr Nilantha Jayawardane
15 Mr.KRN Jayawardana
16 Mr GMG Senavirathne
17 Mr WDA Welikalage
18 Mrs. H.M.U. Ranasinghe Kumarapeliya
19 Mrs.K.P.Iresha Udayangani
20 Mr.D Jayawardena
21 Mr.HD Wickramasinghe

Description of valuation techniques used and key inputs to valuation on investment properties:

Property	Method of valuation	Effective date of valuation	Significant unobservable inputs (Level 3)	No. of buildings	Sensitivity of fair value to un-observable inputs	Value 2023 (LKR)	Value 2022 (LKR)
Lot No. 1,2 & 3 in Plan No.9327/2014 at Main Street,Negombo	Comparison Method of valuation	31-Mar-23	Estimated price per perch 2023 LKR 4,300,000/- (2022 LKR 4,250,000/)- (Land Extent - 29.34 perches)	-	Positively correlated sensitivity	126,100,000	124,700,000
Lot No. 1 in Plan No.0082 at Magammana, Dehiowita	Comparison Method of valuation	31-Mar-23	Estimated price per perch 2023 -LKR 300,000/-(2022 LKR 275,000/) - (Land Extent - 45 perches)	1	Positively correlated sensitivity	43,300,000	43,300,000
			Estimated current cost of construction per square feet LKR 3,500/-(8,254/- square feet)				

Property	Method of valuation	Effective date of valuation	Significant unobservable inputs (Level 3)	No. of buildings	Sensitivity of fair value to un-observable inputs	Value 2023 (LKR)	Value 2022 (LKR)
Lot No 283 in Plan No 520004 at Moragahahena Road,Homagama	Comparison Method of valuation	31-Mar-23	Estimated price per perch 2023 -LKR 1,050,000/- (2022 - LKR 1,000,000/)- (Land Extent - 383.45 perches)"	-	Positively correlated sensitivity	402,600,000	383,500,000
Lot no 01 Plan no 7011, Delgahawaththa, Hunupitiya New road, Kelaniya	Comparison Method of valuation	31-Mar-22	Estimated current cost of construction per square foot 2022- LKR 5,000/- (2021 - LKR 4,000/)- (3400 square feet)	1	Positively correlated sensitivity	-	30,000,000
			Estimated price per perch LKR 1,600,000/- (Land Extent - 9.27 perches)"				
Lot No.1 in Plan No.802 at Nawagamuwa	Residual Method of valuation	31-Mar-23	Estimated price per perch 2023 -LKR 400,000/- (2022 LKR 265,000/)- (Land Extent - A01 R01 9.15 perches)"	-	Positively correlated sensitivity	24,300,000	24,300,000
Lot No.C, in Plan No. 19338, Meegahawatta, Biyagama	Development Method of valuation	31-Mar-23	Estimated price per perch 2023 -LKR 1,500,000/- (2022 -LKR 1,300,000) (Land Extent - 0A 01R 18.5 perches)"	-	Positively correlated sensitivity	42,000,000	42,000,000
Lot No. 3 in Plan No.1143 at Kuda-Payagala, Payagala	Comparison Method of valuation	31-Mar-23	Estimated price per perch 2023 -LKR 820,000/-(2022 -LKR 820,000/)- (Land Extent - 13.5 perches)"	1	Positively correlated sensitivity	19,600,000	19,600,000
			Estimated current cost of construction per square foot LKR 3,000/- (2832 square feet)				

NOTES TO THE FINANCIAL STATEMENTS

18. INVESTMENT PROPERTY (Contd...)

Description of valuation techniques used and key inputs to valuation on investment properties: (Contd...)

Property	Method of valuation	Effective date of valuation	Significant unobservable inputs (Level 3)	No. of buildings	Sensitivity of fair value to un-observable inputs	Value 2023 (LKR)	Value 2022 (LKR)
Lot No. 2B in Plan No.477 at Bangalawatta Road, Kottawa	Comparison Method of valuation	31-Mar-23	Estimated price per perch 2023 -LKR 1,675,000/- (2022 -LKR 1,650,000/)- (Land Extent - 15.70 perches)	1	Positively correlated sensitivity	28,300,000	28,300,000
			Estimated current cost of construction per square foot LKR 3,250/- (809 square feet)				
Lot no.A3,B,C1,D1 & E, Plan no. 1105, Dalaviyagodawatta, Kalawila Village, Beruwala	Comparison Method of valuation	31-Mar-21	Estimated price per perch 2021 -LKR 150,000/-(2020 -LKR 150,000/)- (Land Extent - 21.5 perches)		Positively correlated sensitivity	10,332,740	10,332,740
Lot No.01, Plan No.5093 ,Pallanchena Estste, Kochchikade	Comparison Method of valuation	16-Jan-21	Estimated price per perch 2021-LKR 350,000/-(2020-LKR 350,000/)-(Land Extent - 10 perches)	-	Positively correlated sensitivity	-	10,500,000
			Estimated current cost of construction per square foot LKR 4,500/- (2688 square feet)				
Lot no X Plan no 4069,Mattakkuliya, Colombo 15	Comparison Method of valuation	31-Mar-23	Estimated price per perch 2023-LKR 3,500,000 2022-LKR 3,500,000/- (Land Extent - 18.15 perches)	1	Positively correlated sensitivity	85,800,000	85,800,000
			Estimated current cost of construction per square foot LKR 4,500/- (4956 square feet)				

Property	Method of valuation	Effective date of valuation	Significant unobservable inputs (Level 3)	No. of buildings	Sensitivity of fair value to un-observable inputs	Value 2023 (LKR)	Value 2022 (LKR)
Lot No.2 in Plan No.3047 Bunnehepola, Udubaddawa, Kurunegala	Comparison Method of valuation	23-Jul-18	Estimated price per perch 2018 -LKR 80,000/- (Land Extent - 1A)		Positively correlated sensitivity	2,500,000	2,500,000
Lot no 01 Plan no 20,Hakamuna village, Pelmadulla, Rathnapura	Comparison Method of valuation	12-Nov-18	Estimated price per perch 2018-LKR 400,00/- (Land Extent - 192 perches)		Positively correlated sensitivity	4,159,000	4,159,000
Lot no 01 Plan no 2151,Katumuna Land, Seethaeliya, Nuwaraeliya	Comparison Method of valuation	29-Dec-18	Estimated price per perch 2018-LKR 600,000/- (Land Extent - 10.6 perches)		Positively correlated sensitivity	3,639,000	3,639,000
Lot No. 2A In Plan No.1280A/2008 at Gonnagahawatta	Comparison Method of valuation	31-Mar-18	Estimated price per perch 2018-LKR 150,000/- (Land Extent - 32.2 perches)	1	Positively correlated sensitivity	1,380,400	1,385,100
			Estimated current cost of construction per square foot LKR 3,000/- (1000 square feet)				
Lot no 99 Plan no 520022, Kahatagaha ovitapillawa, Siyambalagoda, Homagama	Comparison Method of valuation	27-Feb-19	Estimated price per perch 2019 -LKR 700,000/- (Land Extent - 11.7 perches)		Positively correlated sensitivity	4,900,000	4,900,000
Lot no X2 Plan no 7739, Gonapolakumbura Kattiya, Palannaruwa, Horana	Comparison Method of valuation	28-Mar-19	Estimated price per perch 2019 -LKR 600,000/- (Land Extent - 10.8 perches)		Positively correlated sensitivity	10,399,000	10,399,000
Lot No.3896 Plan No.195 , Buddhagaya Mawatha, Anuradhapura	Comparison Method of valuation	28-Mar-18	Estimated price per perch 2018 -LKR 400,000/- (Land Extent - 24.94 perches)	1	Positively correlated sensitivity	4,704,961	4,704,961
			Estimated current cost of construction per square foot LKR 3,000/- (3986 square feet)				

18. INVESTMENT PROPERTY (Contd...)

Description of valuation techniques used and key inputs to valuation on investment properties: (Contd...)

Property	Method of valuation	Effective date of valuation	Significant unobservable inputs (Level 3)	No. of buildings	Sensitivity of fair value to un-observable inputs	Value 2023 (LKR)	Value 2022 (LKR)
Lot 3A Plan No. 5338 Katukurudugahawatta	Comparison Method of valuation	10-Jun-22	Estimated price per perch 2022 -LKR 900,000/- (Land Extent -0A-2R-14.75 perches)		Positively correlated sensitivity	11,100,977	-
Homagama Land	Comparison Method of valuation	11-Sep-19	Estimated price per perch 2019 -LKR 450,000/- (Land Extent -0A-0R-12.5 perches) 2019 -LKR 425,000/- (Land Extent -0A-0R-13.1 perches)		Positively correlated sensitivity	16,200,000	-
Lot E Plan no.147 Kirineliya, urugamuwa	Comparison Method of valuation	28-Oct-18	Estimated price per perch 2018 -LKR 50,000/- (Land Extent -0A-2R-10 perches)		Positively correlated sensitivity	2,992,182	2,992,182
Lot No.5 Plan No.1738 & Lot No. 6 Plan No 1738, Weerambuwa village, Kurunegala	Comparison Method of valuation	18-Mar-18	Estimated price per perch 2018-LKR 125,000/- (Land Extent - 15 perches)		Positively correlated sensitivity	-	2,069,000
Lot No. 11 in Plan No.225, Gorakamulla Kumbura	Comparison Method of valuation	30-Apr-19	Estimated price per perch 2019-LKR 147,558/- (Land Extent - 11.5 perches)	-	Positively correlated sensitivity	1,696,926	1,696,926
Lot No.01 Plan No.6894 Mawela South, Kaluthara	Comparison Method of valuation	3-Aug-18	Estimated price per perch 2018 -LKR 325,000/- (Land Extent - 40 perches)	-	Positively correlated sensitivity	6,500,000	7,747,000
Lot No.01 Plan No.5405 Kahatagahalanda - Homagama	Comparison Method of valuation	31-Mar-23	Estimated price per perch 2023 -LKR 1,050,000/- 2022 -LKR 1,000,000/- (Land Extent - 346.86 perches)		Positively correlated sensitivity	364,200,000	346,860,000
Wackwella Kakiri Bokka Land	Comparison Method of valuation	31-Mar-22	Estimated price per perch 2022 -LKR 7,000,000/- (Land Extent - 17.435 perches)		Positively correlated sensitivity	-	103,399,000

Property	Method of valuation	Effective date of valuation	Significant unobservable inputs (Level 3)	No. of buildings	Sensitivity of fair value to un-observable inputs	Value 2023 (LKR)	Value 2022 (LKR)
Kongahawatta-Thuduwewatta Battaramulla land (Plan Land - 3872)	Comparison Method of valuation	31-Mar-22	Estimated price per perch 2022 -LKR 10,000,000/- (Land Extent - 21.50 perches)		Positively correlated sensitivity	-	171,362,757
Delgahawatta Land -Plan No: 597	Comparison Method of valuation	31-Mar-22	Estimated price per perch 2022 -LKR 60,000/- (Land Extent - 103.95 perches)		Positively correlated sensitivity	3,639,000	3,639,000
Hunugulawatta Property Plan No.3671	Comparison Method of valuation	31-Mar-22	Estimated price per perch 2022 -LKR 450,000/- (Land Extent - 21.50 perches)		Positively correlated sensitivity	-	15,000,000
Bogahawatta Property - (Lot No. 3)	Comparison Method of valuation	31-Mar-22	Estimated price per perch 2022 -LKR 315,000/- (Land Extent - 10 perches)		Positively correlated sensitivity	-	4,500,000

18.4 The table below presents the sensitivity of the valuation to changes in the most significant assumptions underlying the valuation of investment property of the year ended 31 March 2023.

The sensitivity of the investment property valuation is the effect of the assumed changes in land price per perch and cost of construction per square feet (while other variables are held constant) on the profit or loss for the year and carrying value of investment property as at 31 March 2023.

Increase/(Decrease)

	2023			2022		
	Value of the land	Cost of construction per square feet	Fair value gain/ (loss) on Investment property LKR	Value of the land	Cost of construction per square feet	Fair value gain/ (loss) on Investment property LKR
	5%	5%	57,552,160	5%	5%	71,589,283
	-5%	-5%	(57,552,160)	-5%	-5%	(71,589,283)

ACCOUNTING POLICY

Investment properties are measured initially at cost, including transaction costs. The carrying amounts includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and exclude the costs of day to day servicing of an investment property.

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the Statement of profit or loss in the year in which they arise.

NOTES TO THE FINANCIAL STATEMENTS

19. PROPERTY, PLANT AND EQUIPMENT

19.1 Gross carrying amounts

As at 31 March 2023 Company / Group	Balance As at 01.04.2022 LKR	Additions/ Transfers LKR	Revaluation Adjustment LKR	Disposals LKR	Balance As at 31.03.2023 LKR
At Cost					
Freehold assets					
Furniture & fittings	347,742,462	17,609,632	-	7,312,893	358,039,201
Leasehold improvements	531,535,922	44,650,325	-	12,591,022	563,595,225
Office equipment	192,379,345	48,226,190	-	9,496,458	231,109,077
Motor vehicles	147,138,584	5,075,000	9,758,330	59,896,914	102,075,000
Computer equipments	1,281,416,232	76,148,228	(113,529,272)	142,113,141	1,101,922,047
Air conditioning system	132,210,859	18,439,449	-	3,216,008	147,434,300
Generators	33,396,868	33,897,430	-	1,577,146	65,717,152
	2,665,820,271	244,046,254	(103,770,942)	236,203,582	2,569,892,002
At valuation					
Freehold Land	2,727,896,485	592,759,757	-	-	3,320,656,242
Building and building integrals	608,025,478	1,562,386,058	-	-	2,170,411,536
Work in progress	905,108,928	(617,893,572)	-	-	287,215,356
	4,241,030,891	1,537,252,243	-	-	5,778,283,134
Total value of depreciable assets	6,906,851,162	1,781,298,497	(103,770,942)	236,203,582	8,348,175,136

19.2 Depreciation

Company / Group	Balance As at 01.04.2022 LKR	Additions/ Charge for the Year LKR	Transfers / Revaluation LKR	Disposals LKR	Balance As at 31.03.2023 LKR
At cost					
Freehold assets					
Furniture & fittings	270,895,462	23,111,760	-	5,159,889	288,847,333
Leasehold improvements	373,124,426	62,512,921	-	11,023,413	424,613,933
Office equipments	114,612,763	16,456,931	-	4,677,656	126,392,038
Motor vehicles	62,211,802	(12,037,281)	-	23,127,173	27,047,348
Computer equipments	1,145,310,323	40,629,663	189,733,864	113,977,112	882,229,010
Air conditioning system	86,700,558	12,401,101	-	2,383,345	96,718,313
Generators	15,719,848	3,717,336	-	997,878	18,439,307
	2,068,575,180	146,792,431	189,733,864	161,346,466	1,864,287,280

Company / Group	Balance As at 01.04.2022 LKR	Additions/ Charge for the Year LKR	Transfers / Revaluation LKR	Disposals LKR	Balance As at 31.03.2023 LKR
At valuation					
Building and building integrals	11,526,650	12,269,822	-	-	23,796,472
	11,526,650	12,269,822	-	-	23,796,472
Total Depreciation	2,080,101,830	159,062,253	189,733,864	161,346,466	1,888,083,753

19.3 **Net book values**

As at 31 March 2023	Company /Group	
	2023 LKR	2022 LKR
At Cost		
Furniture & fittings	69,191,869	76,847,000
Leasehold improvements	138,981,292	158,411,496
Office equipment	104,717,039	77,766,582
Motor vehicles	75,027,652	84,926,781
Computer equipments	219,693,037	136,105,909
Air conditioning system	50,715,987	45,510,301
Generators	47,277,845	17,677,020
Freehold Land	3,320,656,242	2,727,896,485
Building & building integrals	2,433,830,420	1,501,607,756
Total net book value of property, plant & equipment	6,460,091,383	4,826,749,333

19. PROPERTY, PLANT AND EQUIPMENT (Contd...)

19.4 During the financial year, the Company acquired property, plant & equipment to the aggregate value of LKR 507,440,544 /- (2022 - LKR 526,989,130/-). Cash payments amounting to LKR 507,440,544/- (2022- LKR 203,529,023/-) was paid during the year for purchases of Property, Plant & Equipment.

Commercial Credit and Finance PLC

Fair Value of Lands

Location	Extent	Valuer	Valuation Date
Plan 548, Lot 1 ,Maithripala Senanayake Mawatta, New Town, Anuradhapura	P 12.2	Sunil Fernando & Associates (Private) Limited	31/03/2021
No 106, Yatinuwara Veediya, Kandy	P 13.4		31/03/2021
Plan 3256, Lot C1A & C1B , Yaggapitiya, Kurunegala	P 738.9		31/03/2021
Plan 806, Lot 2, Assessment No. 136 ,Kurunegala Road, Puttalam	P 13.64		31/03/2021
Lot No.01 in Plan No.5258 at Athurugiriya Road, Homagama	P 23.39		31/03/2021
Lot no.01 in Plan No.1351 at Kandy Road, Nuwaraeliya	P 18.50		31/03/2021
Lot No. 275,277,283,285,287,&289 High Level Road ,Nugegoda	P 29.85		31/03/2021
113/11, Green road, Negombo	P 26.5		31/03/2021
Plan 3333A, No 165,Kynsey Road, Colombo 08	P 66		31/03/2021
Lot No.01 to 07 in Plan No.2762, Dampe Road,Bolgoda	P 458.12 P		31/03/2019
Lot 4A in Survey Plan No.519,Thurstan Road,Colombo 03.	P 22.5		19/03/2021
Lot no 01 Plan no 8002 at Nupe Anagarika Dharmapala Mawatha	P 16.83		31/03/2021
Welikanda	P 66		
Plan No.8147 Main Street,Rathnapura Land	P 14.8		02/04/2022
Battaramulla Land	P 23.1P		07/03/2022
Lot no01 Plan No.6125, NO32, Baudhdhaloka Road,Kurunegala	P 15.3		14/03/2022
Wackwella Kekiribokka Land	P 17.435		28/02/2022

19.5 The Company uses the revaluation model of measurement of land and buildings. The company engaged Sunil Fernando & Associates (Private) Limited and A.B.M. Gunadasa, an independent chartered valuation surveyor, to determine the fair value of its land and buildings as at 31 March 2022. The fair value was determined by Comparison Method using current market value of land, residual method of valuation and the depreciated replacement cost of buildings and Lands. Valuations are based on market prices, adjusted for any difference in the nature, location or condition of the specific property.

(Level 3)

	Valuation Details	No. of buildings	Significant unobservable input: price per perch/ acre/range	Fair Value 2023 LKR	Fair Value 2022 LKR
	Comparison Method	-	Rs. 2,750,000/- per perch	33,000,000	33,000,000
	Comparison Method	-	Rs.7,400,000/- per perch	136,680,000	136,680,000
	Residual Method of valuation	-	Rs. 350,000/- per perch	143,300,000	143,300,000
	Comparison Method	-	Rs. 800,000/- per perch	13,640,000	13,640,000
	Comparison Method	-	Rs. 800,000/- per perch	210,700,000	210,700,000
	Comparison Method	-	Rs. 5,700,000/- per perch	105,450,000	105,450,000
	Comparison Method	-	Rs. 450,000/- per perch	207,800,000	207,800,000
	Comparison Method	-	Rs. 1,700,000/- per perch	45,000,000	45,000,000
	Comparison Method	-	Rs. 15,500,000/- per perch	1,122,000,000	1,122,000,000
	Comparison Method	-	Rs. 276,697/- per perch	216,576,485	216,576,485
	Comparison Method	-	Rs. 17,500,000/- per perch	393,750,000	393,750,000
	Comparison Method	1	Rs. 5,300,000/- per perch	96,000,000	96,000,000
	Comparison Method	-		4,000,000	4,000,000
	Comparison Method	-	Rs. 21,000,000/- per perch	114,599,000	-
	Comparison Method	-	Rs. 10,000,000/- per perch	171,362,757	-
	Comparison Method	-	Rs. 13,000,000/- per perch	202,799,000	-
	Comparison Method	-	Rs. 7,000,000/- per perch	103,999,000	-
				3,320,656,242	2,727,896,485

19. PROPERTY, PLANT AND EQUIPMENT (Contd...)

Fair Value of Buildings

Location	Extent	Valuer	Valuation Date
Plan 806, Lot 2, Assessment No. 136 ,Kurunegala Road, Puttalam	1640 square feet		31/03/2021
Plan 548, Lot 1 ,Maithripala Senanayake Mawatta, New Town, Anuradhapura	3975 square feet		31/03/2021
No 106, Yatinuwara Veediya, Kandy	12850 square feet		31/03/2021
113/11, Green road, Negombo	2700 square feet		31/03/2021
Plan 3333A, No 165,Kynsey Road, Colombo 08	29,305 square feet		31/03/2021
Lot no.01 in Plan No.1351 at Kandy Road, Nuwaraeliya	12,267 square feet	Sunil Fernando & Associates (Private) Limited	31/03/2021
Lot 4A in Survey Plan No.519,Thurstan Road,Colombo 03.	3,550 square feet		
Battaramulla			
Plan No.8147 Main Street,Rathnapura Land	7,084 square feet		02/4/2022
Welikanda			
Lot No.01 in Plan No.5258 at Athurugiriya Road, Homagama	Container Box		

19.6 If land and buildings were measured using the cost model, the carrying amounts would be as follows:

Company / Group	2023		2022	
	Land	Building & building integrals	Land	Building & building integrals
	LKR	LKR	LKR	LKR
Cost	3,320,656,242	2,170,411,536	2,727,896,485	608,025,478
Less: Accumulated depreciation	-	(23,796,472)	-	(11,526,650)
Net carrying amount	3,320,656,242	2,146,615,064	2,727,896,485	596,498,828

19.7 Property, Plant and equipment included fully depreciated assets having a gross amount of LKR 1,546,292,763/- (2022 - LKR 986,085,757/-).

19.8 Title Restriction on Property, Plant and Equipment

There were no restrictions existed on the title of the property, plant and equipment of the Company as at the reporting date.

19.9 Property, Plant and Equipment Pledged as Security for Liabilities

There were no items of property, plant and equipment pledged as securities for liabilities as at the reporting date other than those disclosed in the Note 51 of these Financial Statements.

	Valuation Details	No. of buildings	Significant unobservable input: price per perch/ acre/range	Fair Value 2023 LKR	Fair Value 2022 LKR
	Depreciated Replacement Cost	1	Rs. 3,500/- per square feet	4,890,000	4,890,000
	Depreciated Replacement Cost	1	Rs. 4,750/- per square feet	13,000,000	13,000,000
	Depreciated Replacement Cost	1	Rs. 6,500/- per square feet	59,958,988	59,958,988
	Depreciated Replacement Cost	1	Rs. 2,500/- - Rs.2750/- per square feet	90,000,000	90,000,000
	Depreciated Replacement Cost & Investment or Income based valuation	1	Rs. 11,000/- per square feet	323,208,000	323,208,000
	Depreciated Replacement Cost & Investment or Income based valuation	1	Rs. 6,650/- per square feet	80,550,000	80,550,000
	Depreciated Replacement Cost & Investment or Income based valuation	1	Rs. 9,282/- per square feet	32,951,180	32,951,180
	Depreciated Replacement Cost & Investment or Income based valuation	2		8,793,215	-
	Depreciated Replacement Cost & Investment or Income based valuation	1	Rs. 25,500/- per square feet	2,772,124	-
	Depreciated Replacement Cost & Investment or Income based valuation	1		4,218,100	-
	Depreciated Replacement Cost & Investment or Income based valuation	1	Container Box	3,467,310	3,467,310
				623,808,917	608,025,478

19.10 Temporarily Idle Property, Plant and Equipment

There were no temporarily idle Property, Plant and Equipment as at the reporting date.

ACCOUNTING POLICY

Property, Plant and equipment are recognised if it is probable that future economic benefits associated with the assets will flow to the entity and the cost of the asset can be measured reliably in accordance with LKAS 16 on Property, Plant and equipment. Initially Property, Plant and equipment are measured at cost.

Subsequent measurement

Property, Plant and equipment is stated at cost or valuation, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

The Company has elected to use the revaluation model for land and buildings, while other classes of property, plant and equipment are measured using the cost model.

Cost Model

These are the amount of cash or cash equivalent paid or the fair value of other consideration given to acquire the asset at the time of its acquisition or construction, if it is probable that the future economic benefits embodied within that part will flow to the Company and it can be reliably measured.

19. PROPERTY, PLANT AND EQUIPMENT (Contd...)

ACCOUNTING POLICY (Contd...)

Revaluation Model

Land and buildings are measured at fair value, less accumulated depreciation on buildings, and impairment losses recognised after the date of revaluation. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Accumulated depreciation at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Depreciation

The provision for depreciation is calculated by using a straight line method on the cost or valuation of all Property, Plant & Equipment other than freehold land, in order to write off such amounts over the estimated useful lives.

The estimated useful lives used are as follows:

Components included in buildings and building integrals	Useful Life
Buildings	50 years
Cladding	8 years
Furniture and Fittings	8 years
Leasehold Improvements	5 years
Office Equipment	8 years
Motor Vehicles	4 years
Computer Hardware	4 years
Air Conditioning System	8 years

De-recognition

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in 'Other Operating Income' in the Statement of profit or loss in the year the asset is derecognized.

20. RIGHT OF USE ASSET

The company assesses at the inception of a contract, whether a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration as per the guidelines of SLFRS 16. This assessment considers whether, throughout the period of use, the lessee has both the right to obtain all of the economic benefits from the use of the identified asset and the right to direct how and for what purpose the identified asset is used.

20.1 Movement in right-of-use assets

As at 31 March 2023	Company /Group	
	2023	2022
	LKR	LKR
Balance as at 1st April	971,224,960	799,824,836
	971,224,960	799,824,836
Additions / renewal lease during the year	79,777,382	225,158,089
Expiration of lease agreements during the year	(75,274,994)	(53,757,965)
Balance as at 31st March	975,727,348	971,224,960

As at 31 March 2023	Company /Group	
	2023	2022
	LKR	LKR
Accumulated amortisation		
Balance as at 1st April	485,686,339	386,988,452
Amortisation for the year	213,423,308	203,511,147
Expiration of Amortisation for the year	(106,914,775)	(104,813,260)
Balance as at 31st March	592,194,873	485,686,339
Net Book Value as at 31st March	383,532,475	485,538,621

20.2 Movement in lease liabilities

As at 31 March 2023	Company /Group	
	2023	2022
	LKR	LKR
Balance as at 1st April	377,072,583	337,559,309
Restated Balance as at 31st March	377,072,583	337,559,309
Additions/renewal of lease agreements during the year	58,128,251	143,513,803
Accretion of interest	47,212,572	187,267,823
Payments to lease creditors	(165,594,360)	(291,268,352)
As at 31st March	316,819,046	377,072,583

The lease liabilities are presented under Note 26.1 to the financial statements. Above is the movement of the lease liability during the period.

Sensitivity of Right-of-Use Assets/Lease Liability to Key Assumption

Sensitivity to Incremental Borrowing Rates Increase/(decrease)in incremental borrowing rate as at 31st March 2023 by 1% would have (decreased)/increased the lease liability by approximately LKR (37,223,788) and LKR 36,486,683 respectively. Had the company increased/(decreased) the discount rate by 1%, the company profit before tax for the year would have (decreased)/ increased by approximately LKR (5,201,741) and LKR 5,155,593 respectively.

ACCOUNTING POLICY

Basis of recogision

The Company applies Sri Lanka Accounting Standard SLFRS 16 "Leases" in accounting for all lease hold rights except for short term leases, which are held for use in the provision for services.

Basis of measurement

The Company recognises right-of-use assets at the date of commencement of the lease, which is the present value of lease payments to be made over the lease term. After initial recognition Right-of-Use assets are measured at cost less any accumulated amortization and impairment losses and adjusted for any re-measurement of lease liabilities. The cost of the right-of-use assets includes the amount of lease liabilities recognised, initial direct cost incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right of use assets are amortised on the straight line basis over the lease term.

Lease liability

At the commencement date of the lease, the company recognises lease liabilities, measured at present value of lease payments to be made over the lease term.

The present value of lease commitments as at 31st March 2023 has been calculated using weighted average incremental borrowing rate of 26.86%

Interest expense on the lease liability is recognised in the profit or loss.

The Company applied modified retrospective approach in accordance with SLFRS 16 when accounting for right - of use assets and operating lease liabilities.

21. INTANGIBLE ASSETS & GOODWILL

As at 31 March 2023	Company		Group
	2023	2022	2023
	LKR	LKR	LKR
Goodwill	741,712,566	741,712,566	741,712,566
Computer software (21.1)	152,685,711	147,070,855	152,685,711
	894,398,277	888,783,421	894,398,277

Goodwill

Goodwill of LKR 741,712,566 has been recognized by Commercial Credit and Finance PLC (COCR) in respect of acquisition of Trade Finance and Investments PLC. IAS 36 states that an annual impairment test needs to be carried out to for intangible assets such as goodwill acquired in a business combination. An impairment loss should be recorded if the carrying amount of the cash generating unit exceeds the recoverable amount. The recoverable amount is the higher of the cash generating unit's fair value less costs to sell or its value in use.

As operations of Trade Finance PLC cannot be separated and projected from Commercial Credit PLC; the impairment testing has been carried out based on the Value in use of Commercial Credit PLC. Further the book value of Commercial Credit PLC has been adjusted by the Goodwill amount for the purpose of the value computation. Therefore, a value in excess of the current book value of COCR has been considered indicative of an unimpaired goodwill and vice versa.

A multi stage Residual Income method has been utilized for the value in use computation. The multistage model forecasts residual income for a certain time period and then estimates a terminal value. A persistence factor is used to calculate the level of residual income after the initial forecast.

- V0 = value of a share of stock today (t = 0)
- B0 = current per-share book value of equity
- Bt = expected per-share book value of equity at any time t
- Et = expected earnings per share for period t
- r = required rate of return on equity (cost of equity)
- (i) = Persistence Factor

The following prospective financials have been evaluated inline with company's historical performance, peers and outlook for the sector:

- Asset Growth and Mix
- Interest Yield %
- Interest Expense %
- Spread
- Net Interest Margin
- Fee Income
- Cost to Income [Incl Provision Cost]
- VAT as % of NII
- Income Tax as % of PBT
- Dividend Payout
- RoA
- Assets/ Equity
- RoE

Key variables used for in the impairment test

A multi period Cost of Equity has been utilized for the purpose of impairment testing to account for volatility in the investment yields resulting from Sri Lanka.

Cost of equity has been determined in consideration of inflation expectations as per IMF guidelines, a spread inline with previous yields and average inflation rate. A further equity risk premium of 6% has been assumed. Persistence factor has been assumed in consideration of market observations and that the industry is regulated and the barriers present for entry. The persistence factor implies residual income will decline to zero as RoE drops to cost of equity of the stage 2 period.

A further sensitivity analysis has been performed on testing parameters. Based on the results it does not indicate of a goodwill impairment. i.e the Recoverable value is higher than the Net Asset Value of the Company.

Goodwill Rs.8,577,200 Created on acquisition of AMW insurance Brokers (Pvt) Ltd during the year has been charged to the Profit or loss.

21.1 Computer software

Company/Group

Cost	Balance As At 01.04.2022 LKR	Additions/ Incurred LKR	Transfers LKR	Balance As At 31.01.2023 LKR
Computer software	332,205,939	150,000	-	332,355,939
Capital work in progress - Computer software	-	-	-	-
Written down value	332,205,939	150,000	-	332,355,939

Amortisation	Balance As At 01.04.2022 LKR	Charged LKR	Transfers LKR	Balance As At 31.01.2023 LKR
Computer software	185,135,085	(5,464,857)	-	179,670,228
	185,135,085	(5,464,857)	-	179,670,228
Net Book Value	147,070,855			152,685,711

22. DUE TO BANKS

As at 31 March 2023	Company /Group 2023 LKR	Company /Group 2022 LKR
Bank Overdrafts	112,151,953	496,347,399
Securitised Borrowings, Syndicated Loans and Other Bank Facilities (Note 22.1)	16,147,547,257	18,733,075,708
Total	16,259,699,210	19,229,423,107

22. DUE TO BANKS (Contd...)

22.1 Securitised Borrowings and Direct Bank Facilities

As at 31 March 2023	As at 01.04.2022 LKR	Loans Obtained LKR	Interest Recognized LKR	Repayments LKR	As at 31.03.2023 LKR	Period	Security
Securitised Borrowings							
People's Bank - Securitization Loan 11	375,080,000	-	85,766,448	208,295,248	252,551,200	48 Months	Lease & HP receivables
Hatton National Bank PLC - Syndicaion 2	540,000,000	-	67,820,548	247,228,767	360,591,781	18 Months	Lease & HP receivables
Hatton National Bank PLC - Trust 14	700,241,994	-	21,752,422	721,994,416	-	22 Months	Lease & HP receivables
Hatton National Bank PLC - Syndicaion 3	333,400,000	-	37,470,441	137,181,012	233,689,429	48 Months	Lease & HP receivables
Hatton National Bank PLC - Trust 15	60,309,106	-	2,739,046	63,048,152	-	18 Months	Lease & HP receivables
Hatton National Bank PLC - Trust 16	274,168,201	-	27,097,849	203,655,805	97,610,245	36 Months	Gold Loan
Hatton National Bank PLC - Trust 17	688,000,000	-	127,330,951	534,948,616	280,382,334	36 Months	Lease & HP receivables
Hatton National Bank PLC - Trust 18	267,835,591	-	11,302,181	279,137,771	-	24 Months	Gold Loan
Hatton National Bank PLC - Trust 19	300,869,819	-	4,197,947	305,067,766	-	26 Months	Lease & HP receivables
Hatton National Bank PLC - Trust 20	547,161,344	-	25,749,700	425,920,644	146,990,399	30 Months	Lease & HP receivables
Hatton National Bank PLC - Trust 21	599,171,551	-	29,983,626	629,155,177	-	24 Months	Lease & HP receivables
Hatton National Bank PLC - Syndicaion 4	800,000,000	-	78,129,491	278,129,491	600,000,000	60 Months	Lease & HP receivables
Hatton National Bank PLC - Trust 22	841,651,999	-	44,258,271	697,107,737	188,802,532	24 Months	Lease & HP receivables
Hatton National Bank PLC - Trust 23	1,042,217,381	-	53,381,608	869,192,973	226,406,016	29 Months	Lease & HP receivables
Hatton National Bank PLC - Trust 24	783,176,300	-	75,839,585	215,581,538	643,434,347	39 Months	Gold Loan
Hatton National Bank PLC - Trust 25	376,402,959	630,000,000	184,230,233	477,715,200	712,917,992	16 Months	Lease & HP receivables
Hatton National Bank PLC - Syndicaion 5	-	1,500,000,000	350,532,965	632,445,513	1,218,087,452	60 Months	Lease & HP receivables
Hatton National Bank PLC - Trust 26	-	2,001,278,371	412,509,777	302,566,785	2,111,221,364	12 Months	Lease & HP receivables
Hatton National Bank PLC - Trust 28	-	1,000,000,000	128,257,816	-	1,128,257,816	18 Months	Lease & HP receivables
Hatton National Bank PLC - Trust 27	-	610,000,000	87,603,638	115,546,164	582,057,474	14 Months	Lease & HP receivables
People's Bank - Trust 4	-	1,000,000,000	99,027,181	-	1,099,027,181	18 Months	Lease & HP receivables

As at 31 March 2023	As at 01.04.2022 LKR	Loans Obtained LKR	Interest Recognized LKR	Repayments LKR	As at 31.03.2023 LKR	Period	Security
Seylan Bank - Trust 1	177,574,016	-	3,699,344	181,273,360	-	24 Months	Lease & HP receivables
Hatton National Bank PLC - Trust 08 (TF)	59,220,017	-	(15,801,636)	43,418,381	-	37 Months	Lease & HP receivables
Hatton National Bank PLC - Trust 09 (TF)	25,951,235	-	1,828,404	27,779,638	-	37 Months	Lease & HP receivables
Hatton National Bank PLC - Trust 10 (TF)	121,968,498	-	12,956,142	134,924,640	-	37 Months	Lease & HP receivables
Hatton National Bank PLC - Trust 11 (TF)	100,608,233	-	1,102,698	101,710,930	-	24 Months	Lease & HP receivables
Hatton National Bank PLC - Trust 12 (TF)	357,132,792	-	26,082,465	312,604,307	70,610,950	36 Months	Lease & HP receivables
Hatton National Bank PLC - Trust 13 (TF)	540,227,069	-	22,639,785	498,814,461	64,052,392	36 Months	Lease & HP receivables
National Development Bank PLC-TRUST 01	-	340,000,000	-	-	340,000,000	36 Months	Lease & HP receivables
	9,912,368,103	7,081,278,371	2,007,488,924	8,644,444,493	10,356,690,905		
Direct Bank Borrowings							
Merchant Bank of Sri Lanka - Term Loan	46,074,419	-	1,396,885	47,471,303	-	24 Months	Lease & HP receivables
National Development Bank PLC - Term Loan	400,000,000	400,000,000	86,975,056	484,481,906	402,493,151	3 Months	Lease & HP receivables
National Development Bank PLC - Term Loan	300,000,000	-	22,053,288	322,053,288	-	3 Months	Lease & HP receivables
National Development Bank PLC - Term Loan	225,000,000	-	15,726,267	240,726,267	-	3 Months	Lease & HP receivables
National Development Bank PLC - Term Loan	125,000,000	-	10,053,596	135,053,596	-	3 Months	Lease & HP receivables
National Development Bank PLC - Term Loan	250,000,000	-	24,479,178	274,479,178	-	3 Months	Lease & HP receivables
National Development Bank PLC - Term Loan	550,000,000	-	47,239,726	597,239,726	-	4 Months	Lease & HP receivables
National Development Bank PLC - Term Loan	-	200,000,000	43,726,027	243,726,027	-	3 Months	Lease & HP receivables
Seylan Bank PLC - Term Loan	312,494,000	-	57,035,101	181,985,166	187,543,936	48 Months	HP & Lease Receivables
Cargills Bank Ltd- Term Loan	255,970,206	100,000,000	7,628,090	363,598,296	-	3 Months	Lease & HP receivables
Cargills Bank Ltd- Short Term Loan	250,000,000	350,000,000	40,733,147	640,733,147	-	3 Months	Lease & HP receivables
Cargills Bank Ltd- Term Loan	231,250,000	-	45,172,817	118,465,967	157,956,849	48 Months	Lease & HP receivables

NOTES TO THE FINANCIAL STATEMENTS

22. DUE TO BANKS (Contd...)

22.1 Securitised Borrowings and Direct Bank Facilities (Contd...)

As at 31 March 2023	As at 01.04.2022 LKR	Loans Obtained LKR	Interest Recognized LKR	Repayments LKR	As at 31.03.2023 LKR	Period	Security
Hatton National Bank PLC -Term Loan 3	62,500,000	2,000,000,000	281,653,685	747,578,382	1,596,575,303	12 Months	Lease & HP receivables
Sampath Bank - Term Loan (TF)	10,450,000	-	(1,504,835)	8,945,165	-	50 Months	Lease & HP receivables
HDFC Bank - Term Loan (TF)	32,268,098	-	3,920,682	36,188,780	-	48 Months	Lease & HP receivables
Hatton National Bank PLC -Term Loan (TF)	97,248,000	-	6,625,489	103,873,489	-	36 Months	Lease & HP receivables
	3,148,254,723	3,050,000,000	692,914,201	4,546,599,685	2,344,569,239		
Sampath Bank PLC - Term Loan	916,666,600	-	210,275,091	450,362,235	676,579,455	60 Months	Lease & HP receivables
Sampath Bank PLC - Short Term Loan	-	900,000,000	75,340,849	975,340,849	-		
Sampath Bank PLC - Short Term Loan	300,000,000	300,000,000	16,283,178	616,283,178	-	6 Months	Lease & HP receivables
Hatton National Bank PLC - Term Loan	833,500,000	-	149,976,087	649,610,583	333,865,504	36 Months	Lease & HP receivables
Hatton National Bank PLC - Term Loan	1,750,340,000	-	378,403,376	876,826,352	1,251,917,024	48 Months	Lease & HP receivables
Bank of Ceylon -Term Loan	53,333,333	-	11,445,181	31,073,747	33,704,767	60 Months	Land Mortgage
Bank of Ceylon -Term Loan	53,333,333	-	11,445,181	31,073,747	33,704,767	60 Months	Land Mortgage
Hatton National Bank PLC - Term Loan	-	500,000,000	55,760,274	555,760,274	-		
Hatton National Bank PLC - Term Loan	-	150,000,000	8,383,561	158,383,561	-		
DFCC Bank - Term Loan	354,166,667	-	73,156,612	197,530,767	229,792,511	48 Months	HP & Lease Receivables
Nation Trust Bank - Term Loan	333,333,333	-	56,761,778	223,316,937	166,778,173	36 Months	Land Mortgage & HP & Lease Receivables

As at 31 March 2023	As at 01.04.2022 LKR	Loans Obtained LKR	Interest Recognized LKR	Repayments LKR	As at 31.03.2023 LKR	Period	Security
Nation Trust Bank - Term Loan	900,000,000	-	198,172,148	498,172,148	600,000,000	36 Months	Land Mortgage & HP & Lease Receivables
Central Finance Company PLC - Term Loan	177,777,778	-	20,740,149	78,573,017	119,944,910	36 Months	Lease & HP receivables
	5,672,451,043	1,850,000,000	1,266,143,464	5,342,307,395	3,446,287,111		
Total	18,733,073,869	11,981,278,371	3,966,546,589	18,533,351,573	16,147,547,257		

22.2 Changes in liabilities arising from financing activities (Securitised Borrowings, Syndicated Loans and Other Bank Facilities)

Year ended 31 March 2023	Cash Flows			Non Cash Flows	
	Opening 1/4/2022 LKR	Loans Obtained LKR	Capital Repaid and Interest Net Movement LKR	prepaid expense amortisation LKR	Closing 31/3/2023 LKR
Company / Group					
Securitised Borrowings, Syndicated Loans and Other Bank Facilities	18,733,073,869	11,981,278,371	3,966,546,589	18,533,351,573	16,147,547,257

23. DUE TO CUSTOMERS

Year ended 31 March 2023	Company /Group	
	2023 LKR	2022 LKR
Term Deposits - Monthly	25,911,609,737	22,511,315,707
Term Deposits - Maturity	31,769,618,548	24,104,666,702
Savings Deposits	1,562,422,226	1,462,005,314
	59,243,650,511	48,077,987,723

24. DEBT INSTRUMENTS ISSUED

Year ended 31 March 2023	Company /Group	
	2023 LKR	2022 LKR
Debentures (Note 24.1)	1,295,844,686	1,295,844,686
	1,295,844,686	1,295,844,686

24. DEBT INSTRUMENTS ISSUED (Contd...)

24.1 Debentures

As at 31 March 2023 Type of debenture	Face value (LKR)	Interest rate	Frequency of interest payment	Issued date	Maturity date	2023 Amortised Cost LKR	2022 Amortised Cost LKR
Senior Rated, Subordinated, Guaranteed, Redeemable Debentures	1,287,590,000	9%	Yearly	5-Mar-21	4-Mar-26	1,295,844,686	1,295,844,686
						1,295,844,686	1,295,844,686

24.2 Changes in liabilities arising from financing activities (Debentures)

As at 31 March 2023	Cash Flows		Non Cash Flows			
	As at 01/04/2022 LKR	Debentures Capital Repaid LKR	Debenture Interest Net Movement LKR	Debenture Interest Net Movement LKR	Prepaid expense amortisation LKR	As at 31/03/2023 LKR
Debts Instruments Issued	1,295,844,686	-	115,883,100	(115,883,100)	-	1,295,844,686

25. OTHER FINANCIAL LIABILITIES

As at 31 March 2023	Company		Group
	2023 LKR	2022 LKR	2023 LKR
Trade Payables	984,158,637	1,483,345,268	996,498,437
	984,158,637	1,483,345,269	996,498,438

26. OTHER LIABILITIES

As at 31 March 2023	Company /Group	
	2023 LKR	2022 LKR
VAT Payables	1,193,145,437	1,714,334,082
Advances received against Real Estate stock	1,066,000	3,258,242
Dividend Payable	4,263,441	2,920,403
Other Liabilities	850,482,689	724,424,056
Lease Liabilities	316,819,046	377,072,583
Deferred Revenue on Land sale income	216,204	471,507
	2,365,992,817	2,822,480,873

26.1 Undiscounted Cash flow of Lease Liability

2023	Within one year LKR	1 - 3 years LKR	3 - 5 years LKR	Total LKR
Lease Liability	110,844,306	422,307,833	55,334,953	588,487,092
	110,844,306	422,307,833	55,334,953	588,487,092
2022				
Lease Liability	58,757,234	390,216,391	124,241,823	573,215,448

27. POST EMPLOYMENT BENEFIT OBLIGATIONS

As at 31 March 2023	Company /Group	
	2023 LKR	2022 LKR
As at the 1 April	334,424,812	395,651,701
Amount Charged for the year (Note 27.1)	94,051,825	64,739,241
Payments made during the year	(40,913,525)	(31,431,000)
Actuarial Gains / (Loss) for the year	(21,612,500)	(94,535,130)
As at 31 March	365,950,612	334,424,812

27.1 Expenses on Defined Benefit Plan

As at 31 March 2023	Company /Group	
	2023 LKR	2022 LKR
Current Service Cost for the year	43,888,103	32,295,802
Interest cost for the year	50,163,722	32,443,439
	94,051,825	64,739,241

27. POST EMPLOYMENT BENEFIT OBLIGATIONS (Contd...)

27.2 Assumptions

As at 31 March 2023	Company /Group	
	2023	2022
Discount Rate	18.00%	15.00%
Salary scale	12.00%	10.00%
Staff Turnover		
19-20 years	33.00%	49.00%
21-25 years	24.00%	32.00%
26-30 years	15.00%	19.00%
31-35 years	12.00%	14.00%
36-40 years	9.00%	9.00%
41-45 years	6.00%	6.00%
46-50 years	5.00%	7.00%
51-55 years	8.00%	10.00%
56-60 years	8.00%	10.00%
Mortality	A67/70 Ult tables	A67/70 Ult tables
Retirement age	60 years	60 years
Weighted average future expected working life	9.0 years	7.7 years

Due to the lack of long term high quality bonds available in the Sri Lankan market, discount rate is determined by examining short and medium term government and corporate bonds. For the purpose of this valuation, the Company has considered discount rate of 18%. A rate of discount of 15% has been used at the previous valuation.

As per the guidelines issued by the Institute of Chartered Accountants of Sri Lanka, the discount rates have been adjusted to convert the coupon bearing yield to a zero coupon yield to match the characteristics of the gratuity payment liability and the resulting yield to maturity for the purpose of valuing Employee benefit obligations as per LKAS 19.

An actuarial valuation of the gratuity of the Company was carried out as at 31 March 2023 by Smiles Global (Pvt) Limited, a firm of professional actuaries. The valuation method used by the actuary to value the Fund is the "Projected Unit Credit Method".

27.3 The following table demonstrates the sensitivity to a reasonable possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement, in respect of the year ended 31 March 2023.

Increase/ (Decrease) in Salary Scale	Increase/ (Decrease) in Discount Rate	Increase/(Decrease) in PV of DBO	
		2023 LKR	2022 LKR
	(-1%)	20,916,960	17,030,781
	1%	(18,629,130)	(17,030,781)
(-1%)		(21,207,853)	(19,278,998)
1%		23,545,833	21,393,304

27.4 Distribution of Employee Benefit Obligation over Future Working Lifetime

	2023 LKR	2022 LKR
Less than or equal 1 year	38,940,922	29,076,839
Over 1 year and less than or equal 5 years	10,163,960	18,671,176
Over 5 year and less than or equal 10 years	156,633,611	195,070,006
Over 10 years	160,212,119	91,606,791
	365,950,612	334,424,812

ACCOUNTING POLICY

The Company measures the present value of the defined retirement benefits of gratuity which is a defined benefit plan using the projected unit credit actuarial valuation method. The actuarial valuation involves making assumptions about discount rate, expected rates of return on assets, future salary increases and mortality rates. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date.

Accordingly, the employee benefit liability is based on the actuarial valuation as of 31 March 2023, carried out by Smiles Global (Pvt) Limited, a firm of professional actuaries.

All the employees of the Company are eligible for gratuity under the Payment of Gratuity Act No. 12 of 1983. the liability for payment to an employee arises only after the completion of 5 years of continued service

Funding Arrangements

The Gratuity liability is not externally funded.

Defined Contribution Plan

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with respective Statutes and Regulations. The Company contributes 12% and 3% of salaries and other entitled allowances of employees to Employees' Provident Fund and Employees' Trust Fund respectively.

28. DEFERRED TAXATION

28.1 Deferred Tax Assets, Liabilities and Income Tax relates to the following;

Company / Group	Statement of Financial Position		Statement of Profit or Loss			Statement of Other Comprehensive Income	
	2023 LKR	2022 LKR	2023 LKR		2022 LKR	2023 LKR	2022 LKR
			Due to rate revision	Due to change in temporary differences			
Deferred Tax Liabilities							
Capital Allowances for tax purposes	278,908,358	102,683,344	25,670,836	150,554,178	11,592,048	-	-
Revaluation of Building	105,609,413	84,487,530	21,121,883	-	-	-	-
Investment Property	158,284,304	48,977,435	97,954,870	11,351,999	14,849,436	-	-
Profit from associates	9,871,545	(2,102,593)	(525,648)	12,499,786	(2,536,591)	-	-
Lease Rental Receivable	61,962,686	169,831,091	42,457,773	(150,326,178)	(80,595,365)	-	-
	614,636,307	403,876,807	186,679,713	24,079,787	(56,690,473)	-	-
Deferred Tax Assets							
Post Employment Benefit Obligations	(109,785,184)	(80,261,955)	(20,065,489)	(15,941,490)	(7,993,978)	6,483,750	22,688,431
Temporary difference on provisions	(1,648,124,709)	(997,957,667)	(249,489,417)	(400,677,625)	(247,668,383)	-	-
Right of use assets	(19,942,046)	(26,031,849)	(6,507,962)	12,597,765	56,644,250	-	-
	(1,777,851,938)	(1,104,251,471)	(276,062,868)	(404,021,350)	(199,018,111)	6,483,750	22,688,431
Deferred income tax charge/ (reversal)							
Statement of Profit or Loss			(89,383,155)	(379,941,563)	(255,708,584)		
Statement of Other Comprehensive Income						6,483,750	22,688,431
Net Deferred Tax Asset	(1,163,215,632)	(700,374,664)					

The Inland Revenue (Amendment) Act No 45 of 2022 was certified by the Speaker on 19th December 2022. The standard rate of Income Tax has been increased to 30% from 24% w.e.f. 1st October 2022. The increase in income tax rate to 30% in mid year has resulted in two tax rates being applicable for the Year of Assessment 2022/23. The Company/ Group has computed the current tax payable on a pro rata basis (i.e. 50% for first six months and balance 50% for second six months) for the Year of Assessment 2022/23.

ACCOUNTING POLICY

Deferred tax is provided, using the liability method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are off set if legally enforceable right exists to set off current tax assets against current income tax liabilities and Deferred tax relates to the same taxable entity and the same taxation authority.

29. STATED CAPITAL

29.1 Issued and Fully Paid-Ordinary shares

	Company / Group		Company	
	2023		2022	
	No. of Shares	LKR	No. of Shares	LKR
At the beginning of the year	318,074,365	2,150,640,315	318,074,365	2,150,640,315
At the end of the year	318,074,365	2,150,640,315	318,074,365	2,150,640,315

29.2 Rights of Shareholders

The holders of ordinary shares have the right to receive dividends as declared from time to time and are entitled to one vote per share at meetings.

All shares rank equally with regard to the Company's residual assets.

30. RETAINED EARNINGS

As at 31 March 2023	Company		Group
	2023	2022	2023
	LKR	LKR	LKR
As at 01 April	12,619,872,455	9,048,914,434	12,619,872,455
Profit for the Year	2,599,628,541	4,520,312,881	2,616,270,643
Other Comprehensive Income net of tax	15,128,750	71,846,699	15,128,750
Dividend Paid (Note 45)	(636,148,730)	(795,185,914)	(636,148,730)
Provision for Surcharge Tax	(812,922,983)	-	(812,922,983)
Transfers to Statutory Reserve Fund (Note 31)	(129,981,427)	(226,015,644)	(130,813,532)
As at 31 March	13,655,576,606	12,619,872,455	13,671,386,604

NOTES TO THE FINANCIAL STATEMENTS

31. RESERVES

2023

Company	Revaluation Reserve	General Reserve (Note 31.1)	Statutory Reserve (Note 31.2)	FVOCI Reserve	Total Reserve
	LKR	LKR	LKR	LKR	LKR
As at 01 April 2022	358,508,001	58,751,125	4,015,557,372	(10,000,001)	4,422,816,499
Transfers to/(from) during the year	-	-	129,981,427	-	129,981,427
As at 31 March 2023	358,508,001	58,751,125	4,145,538,799	(10,000,001)	4,552,797,926

2022

	Revaluation Reserve	General Reserve (Note 31.1)	Statutory Reserve (Note 31.2)	FVOCI Reserve	Total Reserve
	LKR	LKR	LKR	LKR	LKR
As at 01 April 2021	358,508,001	58,751,125	3,789,541,729	(10,000,000)	4,196,800,855
Transfers to/(from) during the year	-	-	226,015,644	-	226,015,644
As at 31 March 2022	358,508,001	58,751,125	4,015,557,372	(10,000,001)	4,422,816,499

2023

Group	Revaluation Reserve	General Reserve (Note 31.1)	Statutory Reserve (Note 31.2)	FVOCI Reserve	Total Reserve
	LKR	LKR	LKR	LKR	LKR
As at 01 April 2022	358,508,001	58,751,125	4,015,557,372	(10,000,001)	4,422,816,499
Other Comprehesive Income for the year net of tax	-	-		-	-
Transfers to/(from) during the year	-	-	130,813,532	-	130,813,532
As at 31 March 2023	358,508,000	58,751,124	4,146,370,903	(10,000,001)	4,553,630,031

31.1 General reserve represents amounts set aside by the Board of Directors from time to time which is available for general application at the discretion of the Board. The purpose of setting up the General Reserve is to meet potential future unknown liabilities.

31.2 Statutory Reserve Fund is a capital reserve which contains profits transferred as required by Section 3(b)(ii) of Central Bank Direction No. 1 of 2003.

32. GROSS INCOME

As at 31 March 2023	Company		Group
	2023	2022	2023
	LKR	LKR	LKR
Interest income (Note 32.1)	25,054,737,863	18,365,076,301	25,054,773,922
Fee and Commission Income (Note 33)	2,920,130,715	1,797,135,534	2,968,408,988
Net income from Real estate sales (Note 34)	1,539,165	7,575,360	1,539,165
Net gain/(loss) from trading (Note 35)	27,603,125	23,274,836	27,603,125
Other operating income (Note 36)	907,417,770	1,423,846,607	907,417,770
Change in fair value of Investment property	37,840,000	203,121,021	37,840,000
	28,949,268,637	21,820,029,659	28,997,582,970

32.1 Interest Income

As at 31 March 2023	Company		Group
	2023	2022	2023
	LKR	LKR	LKR
Reverse repurchase agreements	102,299,644	52,876,368	102,299,644
Placement with Banks and other Financial Institutions	553,740,273	240,515,819	553,740,273
Loans and Advances	6,741,709,730	3,991,011,846	6,741,709,730
Lease rentals receivable & Stock out on hire	16,241,243,111	13,806,659,454	16,241,243,111
Financial assets - fair value through profit or loss	1,415,745,105	274,012,814	1,415,781,165
Total Interest Income	25,054,737,863	18,365,076,301	25,054,773,922

32.2 Interest Expenses

As at 31 March 2023	Company /Group	
	2023	2022
	LKR	LKR
Due to Banks	4,059,625,542	2,054,422,277
Due to Customers	9,761,687,235	4,215,769,746
Debt instruments issued	115,883,100	115,883,100
Interest Expense on Lease Liabilities	10,891,171	30,059,659
Total Interest Expenses	13,948,087,048	6,416,134,783

NOTES TO THE FINANCIAL STATEMENTS

33. FEE AND COMMISSION INCOME/EXPENSE

Year ended 31 March 2023	Company		Group
	2023	2022	2023
	LKR	LKR	LKR
Fee and Commission Income			
Credit Related Fees and Commissions	238,049,574	307,203,257	286,327,847
Service Charges	2,682,081,141	1,489,932,277	2,682,081,141
Total Fee and Commission Income	2,920,130,715	1,797,135,534	2,968,408,988

34. NET INCOME FROM REAL ESTATE SALES

Year ended 31 March 2023	Company		Group
	2023	2022	2023
	LKR	LKR	LKR
Proceeds from Real Estate sales	7,528,661	21,985,425	7,528,661
Cost of sales	(5,989,496)	(14,410,065)	(5,989,496)
	1,539,165	7,575,360	1,539,165

35. NET GAIN/(LOSS) FROM TRADING

Year ended 31 March 2023	Company		Group
	2023	2022	2023
	LKR	LKR	LKR
Financial assets recognised through profit or loss - measured at fair value	27,603,125	23,274,836	27,603,125
	27,603,125	23,274,836	27,603,125

36. OTHER OPERATING INCOME

Year ended 31 March 2023	Company		Group
	2023	2022	2023
	LKR	LKR	LKR
Sundry Income from Real estate	1,254,236	28,650,695	1,254,236
Bad debt recoveries	802,660,185	1,013,758,301	802,660,185
Rent income	28,412,734	13,034,000	28,412,734
Dividend Income	77,497	1,323,764	77,497
Other sundry income	89,021,957	326,241,937	89,021,957
Gain from disposal of investment property	(14,008,840)	40,837,910	(14,008,840)
Total Other Operating Income	907,417,770	1,423,846,607	907,417,769

37. IMPAIRMENT CHARGES OF FINANCIAL ASSETS

Year ended 31 March 2023	Company		Group
	2023	2022	2023
	LKR	LKR	LKR
Loans and Receivables	178,687,286	104,387,358	178,687,286
Lease rentals receivable & Stock out on hire	3,235,870,980	1,651,307,815	3,235,870,980
Other Financial Assets	-	22,345,108	-
	3,414,558,266	1,778,040,281	3,414,558,266

38. PERSONNEL EXPENSES

Year ended 31 March 2023	Company		Group
	2023	2022	2023
	LKR	LKR	LKR
Salaries and bonus	2,340,546,295	2,194,244,056	2,341,046,295
Contribution to Defined Contribution Plan			
Contribution to EPF	208,865,555	193,698,415	208,925,555
Contribution to ETF	52,216,389	48,424,604	52,231,389
Contribution to defined benefit plan (Note 27.1)	94,051,825	64,739,241	94,051,825
Travelling & Subsistence	831,498,481	235,874,320	831,498,481
Other allowances & staff related expenses	41,131,597	49,858,114	41,131,597
	3,568,310,142	2,786,838,749	3,568,885,142

39. OTHER OPERATING EXPENSES

Year ended 31 March 2023	Company		Group
	2023	2022	2023
	LKR	LKR	LKR
Directors' Fees and Expense	16,323,920	11,310,000	16,323,920
Auditors' remuneration - Audit & audit related works	7,440,000	6,464,000	7,540,000
- Non-audit	-	637,156	-
Professional Expenses	224,350,729	277,583,361	224,556,679
Office Administration and Establishment Expenses	2,161,214,535	1,953,994,458	2,173,739,135
Advertising and Business Promotion Expenses	250,579,590	284,828,225	250,579,590
	2,659,908,774	2,534,817,199	2,672,739,324

NOTES TO THE FINANCIAL STATEMENTS

40. TAX ON FINANCIAL SERVICES

Year ended 31 March 2023	Company		Group
	2023	2022	2023
	LKR	LKR	LKR
Value added tax	1,143,299,356	1,400,965,963	1,143,299,356
Social Security Contribution Levy	77,764,893	-	77,764,893
	1,221,064,249	1,400,965,963	1,221,064,249

ACCOUNTING POLICY

Value Added Tax (VAT) on Financial Services

VAT on financial services is calculated in accordance with the Value Added Tax (VAT) Act No.14 of 2002 and subsequent amendments thereto. The base for the computation of value added tax on financial services is the accounting profit before VAT and income tax adjusted for the economic depreciation and emoluments payable to employees including cash, non-cash benefits and provisions relating to terminal benefits.

As per the Value Added Tax (Amendment) Act No.13 of 2022, the VAT rate has been increased from 15% to 18% on supply of financial services on financial institutions with effect from 1 January 2022 (2021-15%).

Social Security Contribution Levy (SSCL) on Financial Services

Social Security Contribution Levy (SSCL) shall be paid by any person carrying on the business of supplying financial services, on the liable turnover specified in the Second Schedule of the Social Security Contribution Levy Act No.25 of 2022 (SSCL Act), at the rate of 2.5%, with effect from 01 October 2022. SSCL is payable on 100% of the Value Addition attributable to financial services.

The Value Addition attributable to financial services shall be computed for the payment of SSCL on the business of supplying financial services by applying the attributable method referred in to Chapter III A of the Value Added Tax Act No. 14 of 2002.

41. SHARE OF PROFIT / (LOSS) OF ASSOCIATE

Year ended 31 March 2023	Company /Group	
	2023	2022
	LKR	LKR
Share of Profit/Loss of associates before income tax	41,665,956	(10,569,129)
Share of Profit/Loss of associates net of income tax	41,665,956	(10,569,129)

42. INCOME TAX

42.1 The major components of income tax expense for the years ended 31 March are as follows:

Year ended 31 March 2023	Company		Group
	2023	2022	2023
	LKR	LKR	LKR
Current Income Tax			
Income Tax for the year	1,729,563,700	2,114,305,233	1,739,253,179
Dividend Tax	11,625	-	11,625
Tax on Capital Gains	-	12,434,986	-
Deferred Tax			
Deferred Taxation Charge/(Reversal) (Note 28)			
- Due to rate revision (Note 28)	(89,383,155)	-	(89,383,155)
- Due to change in temporary differences (Note 28)	(379,941,563)	(255,708,584)	(379,941,563)
	1,260,250,607	1,871,031,635	1,269,940,086
Statement of Other Comprehensive Income			
Deferred tax related to other comprehensive income (Note 28)	6,483,750	22,688,431	6,483,750
Income tax charged directly Statement of Other Comprehensive Income	6,483,750	22,688,431	6,483,750

42.2 Reconciliation of Accounting Profit and Taxable Income

A reconciliation between the tax expense and the accounting profit multiplied by government of Sri Lanka's tax rate for the years ended 31 March 2023 and 2022 is as follows:

Year ended 31 March 2023	Company		Group
	2023	2022	2023
	LKR	LKR	LKR
Acccounting profit before tax	3,859,879,148	6,391,344,516	3,886,210,728
Non deductible Expenses and Capital portion of lease rentals	5,489,592,443	4,559,405,170	5,504,088,770
Exempt Income	(140,502,724)	(322,468,555)	(140,502,724)
Allowable Expenses including depreciation allowances on leased hold assets	(2,903,991,888)	(1,834,047,143)	(2,900,776,711)
Total profit from businesses (leasing and non- leasing)	6,304,976,979	8,794,233,988	6,349,020,063
Profit /(Loss) on leasing business	100,814,504	15,371,149	100,814,504
Total Statutory Income	6,405,791,482	8,809,605,137	6,449,834,566
Taxable Income	6,405,791,482	8,809,605,137	6,449,834,566
Income Tax Expense	1,729,563,700	2,114,305,233	1,739,253,179
Effective tax rate	44.81%	33.08%	44.75%

ACCOUNTING POLICY

Current income tax assets and liabilities consists of amounts expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current income tax relating to items recognized directly in equity and not in the Statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

43. EARNINGS PER ORDINARY SHARE

43.1 BASIC EARNINGS PER ORDINARY SHARE

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by weighted average number of ordinary shares outstanding during the year, as per LKAS 33- Earnings Per Share.

Year ended 31 March 2023	Company		Group
	2023	2022	2023
	LKR	LKR	LKR
Amounts Used as the Numerators:			
Profit attributable to Ordinary Shareholders for Basic Earnings Per Share	2,599,628,541	4,520,312,881	2,616,270,643
Number of Ordinary Shares Used as Denominators for Basic Earnings per share			
Weighted Average Number of Ordinary Shares	318,074,365	318,074,365	318,074,365
Basic Earnings per ordinary share (Rs.)	8.17	14.21	8.23

43.2 DILUTED EARNINGS PER ORDINARY SHARE

Diluted EPS is calculated by dividing the net profit for the year attributable to ordinary shareholders by weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares in to ordinary shares.

Number of Ordinary Shares Used as Denominators for Diluted Earnings per share

Year ended 31 March 2023	Company		Group
	2023	2022	2023
	LKR	LKR	LKR
Amounts Used as the Numerators:			
Profit attributable to Ordinary Shareholders	2,599,628,541	4,520,312,881	2,616,270,643
Weighted Average Number of Ordinary Shares	318,074,365	318,074,365	318,074,365
Diluted Earnings per ordinary share (Rs.)	8.17	14.21	8.23

44. DIVIDEND PAID

44.1 Declared and Paid During the Year

Year ended 31 March 2023	Company /Group	
	2023	2022
	LKR	LKR
Dividends on Ordinary Shares:		
Final Dividend for 2020/21 Rs.1.50/- per share.	-	477,111,549
Interim Dividend for 2021/22 Rs.1/- per share.	-	318,074,365
Final Dividend for 2021/22 Rs.2/- per share.	636,148,730	-
	636,148,730	795,185,914

ACCOUNTING POLICY

Dividend on ordinary shares are recognised as a liability and deducted from equity when they are approved by the company's shareholders. Interim dividends are deducted when they are declared.

45. OPERATING SEGMENTS

For management purposes, the Company is organised into eight operating segments based on services offered to customers as follows. The following table presents income and profit and certain asset and liability information regarding the Company's operating segments.

45.1

2023 Company	Finance Lease LKR	Hire Purchase LKR	Microfinance and SME Loans LKR	Gold loan LKR	Term Loan LKR	Revolving Loans LKR	Investments LKR	Unallocated LKR	Total LKR
Interest income	6,970,103,632	9,769,697,176	1,158,499,209	3,711,538,947	706,334,849	104,301,976	2,071,785,021	562,477,052	25,054,737,863
Fee Based Income	812,365,861	1,138,658,602	135,023,130	432,580,015	82,323,355	12,156,400	241,466,628	65,556,723	2,920,130,715
Net income from Real estate sales								1,539,165	1,539,165
Net gain from trading							27,603,125		27,603,125
Other operating income	252,439,117	353,833,150	41,957,843	134,422,336	25,581,620	3,777,548	75,034,692	20,371,463	907,417,770
Change in fair value of Investment property								37,840,000	37,840,000
Total Revenue	8,034,908,610	11,262,188,928	1,335,480,182	4,278,541,299	814,239,825	120,235,924	2,415,889,466	687,784,403	28,949,268,637
Segmental Result Before depreciation and amortisation	1,487,814,893	2,085,406,720	247,289,347	792,252,628	150,771,863	136,169,871	447,347,506	127,356,256	5,360,503,163
Depreciation and Amortisation									(321,225,721)
Segments Results									5,039,277,442
VAT on Financial Services									(1,143,299,356)
Social Security Contribution Levy									(77,764,893)
Share of gain of associates									41,665,956
Profit before Taxation									3,859,879,148
Income Tax Expenses									(1,260,250,607)
Net profit for the Year									2,599,628,541
Segment Asset	27,816,194,588	27,332,086,377	3,020,923,957	12,200,533,577	1,368,428,397	171,750,603	16,368,260,142	13,876,262,783	102,154,440,424
Total Assets									102,154,440,424
Segment Liabilities	22,272,526,430	21,884,899,254	2,418,864,610	9,769,010,843	1,095,705,509	137,521,321	13,106,124,400	11,110,773,208	81,795,425,576
Total Liabilities									81,795,425,576

45. OPERATING SEGMENTS (Contd...)

45.1

2023 Group	Finance Lease LKR	Hire Purchase LKR	Microfinance and SME Loans LKR	Gold loan LKR	Term Loan LKR	Revolving Loans LKR	Investments LKR	Unallocated LKR	Total LKR
Interest income	6,970,103,632	9,769,697,176	1,158,499,209	3,711,538,947	706,334,849	104,301,976	2,071,821,080	562,477,052	25,054,773,922
Fee Based Income	825,796,637	1,157,483,948	137,255,456	439,731,824	83,684,400	12,357,380	245,462,694	66,640,567	2,968,408,988
Net income from Real estate sales								1,539,165	1,539,165
Net gain from trading							27,603,125		27,603,125
Other operating income	252,439,117	353,833,150	41,957,843	134,422,336	25,581,620	3,777,548	75,035,890	20,371,463	907,417,770
Change in fair value of Investment property								37,840,000	37,840,000
Total Revenue	8,048,339,386	11,281,014,274	1,337,712,508	4,285,693,107	815,600,870	120,436,904	2,419,922,789	688,868,247	28,997,582,969
Segmental Result Before depreciation and amortisation	1,495,129,031	2,095,658,637	248,505,028	796,147,364	151,513,061	22,373,399	449,545,197	127,970,115	5,386,834,743
Depreciation and Amortisation									(321,225,721)
Segments Results									5,065,609,022
VAT on Financial Services									(1,143,299,356)
Social Security Contribution Levy									(77,764,893)
Share of gain of associates									41,665,956
Profit before Taxation									3,886,210,728
Income Tax Expenses									(1,269,940,085)
Net profit for the Year									2,616,270,643
Segment Asset	27,816,194,588	27,332,086,377	3,020,923,957	12,200,533,577	1,368,428,397	171,750,603	16,404,053,707	13,879,140,599	102,193,111,805
Total Assets									102,193,111,805
Segment Liabilities	22,270,094,382	21,882,509,533	2,418,600,482	9,767,944,116	1,095,585,863	137,506,305	13,133,350,183	11,111,863,993	81,817,454,858
Total Liabilities									81,817,454,858

45.2

2022	Finance Lease	Hire Purchase	Microfinance and SME Loans	Gold loan	Term Loan	Revolving Loans	Investments	Unallocated	Total
	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Interest income	8,296,197,153	5,630,079,780	708,390,811	2,119,131,420	506,238,460	82,471,705	567,405,001	455,161,971	18,365,076,301
Fee Based Income	811,833,855	550,937,892	69,320,393	207,370,027	49,538,543	8,070,363	55,524,065	44,540,395	1,797,135,534
Net income from Real estate sales								7,575,360	7,575,360
Net gain from trading							23,274,836		23,274,836
Other operating income	643,205,178	436,500,773	54,921,626	164,296,518	39,248,730	6,394,041	43,990,979	35,288,763	1,423,846,607
Change in fair value of Investment property								203,121,021	203,121,021
Total Revenue	9,751,236,186	6,617,518,446	832,632,830	2,490,797,965	595,025,733	96,936,109	690,194,880	745,687,510	21,820,029,659
Segmental Result Before depreciation and amortisation	3,726,846,765	2,529,164,174	318,225,803	951,963,644	227,414,216	111,400,514	263,787,125	284,995,977	4,640,637,350
Depreciation and Amortisation									(536,566,324)
Segments Results									7,802,879,608
VAT on Financial Services									(1,400,965,963)
Share of loss of associates									(10,569,129)
Profit before Taxation									6,391,344,516
Income Tax Expenses									(1,871,031,635)
Net profit for the Year									4,520,312,881
Segment Asset	34,706,073,147	20,296,941,135	2,664,530,576	9,988,174,936	1,592,548,239	237,191,365	12,233,793,676	11,910,975,325	93,630,228,398
Total Assets									93,630,228,398
Segment Liabilities	25,779,851,227	17,056,837,172	2,206,707,638	8,126,462,529	4,811,790,449	230,202,434	9,626,477,596	6,598,570,082	74,436,899,127
Total Liabilities									74,436,899,127

45. OPERATING SEGMENTS (Contd...)

ACCOUNTING POLICY

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Companies' other components, whose operating results are reviewed regularly by the Senior Management to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

For management purposes, the Company has identified eight operating segments based on products and services, as follows:

- Finance Lease
- Hire purchase
- Microfinance & SME loans
- Gold loan
- Term loans
- Revolving loan
- Investments
- Unallocated

Income taxes are managed on a Company basis and are not allocated to operating segments. Interest income is reported net, as management primarily relies on net interest revenue as a performance measure, not the gross income and expense. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the company's total revenue in 2023 or 2022.

46. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

46.1

As at 31 March 2023	At Fair Value		At Amortised Cost	
	Fair value through profit or Loss LKR	Fair value through Other Comprehensive Income LKR	Financial assets measured at amortised cost LKR	Total LKR
Assets				
Cash and Bank Balances	-	-	2,437,142,080	2,437,142,080
Reverse repurchase agreements	-	-	860,000,000	860,000,000
Placements with banks	-	-	2,666,945,164	2,666,945,164
Financial assets recognised through profit or loss - measured at fair value	8,437,229,910	-	-	8,437,229,910
Financial assets at amortised cost				
Loans and Receivables	-	-	21,028,377,642	21,028,377,642
Lease rentals receivable & Stock out on hire	-	-	55,142,285,509	55,142,285,509
Financial assets at fair value through other comprehensive income	-	2,554,019	-	2,554,019
Other financial assets	-	-	170,759,082	170,759,082
Total Financial Assets	8,437,229,910	2,554,019	82,305,509,477	90,745,293,406

As at 31 March 2023	At Amortised Cost	
	Other Financial Liabilities	Total
	LKR	LKR
Liabilities		
Due to Banks	16,259,699,210	16,259,699,210
Due to Customers	59,243,650,511	59,243,650,511
Debt Instruments Issued and Other borrowed funds	1,295,844,686	1,295,844,686
Other Financial Liabilities	984,158,637	984,158,637
Total Financial Liabilities	77,783,353,044	77,783,353,044

As at 31 March 2022	At Fair Value		At Amortised Cost	
	Fair value through profit or Loss	Fair value through Other Comprehensive Income	Financial assets measured at amortised cost	Total
	LKR	LKR	LKR	LKR
Assets				
Cash and Bank Balances	-	-	2,632,255,117	2,632,255,117
Reverse repurchase agreements	-	-	354,147,585	354,147,585
Placements with banks	-	-	1,811,884,152	1,811,884,152
Financial assets recognised through profit or loss - measured at fair value	5,087,514,674	-	-	5,087,514,674
Loans and Receivables	-	-	18,990,319,759	18,990,319,759
Lease rentals receivable & Stock out on hire	-	-	55,003,014,280	55,003,014,280
Financial assets at fair value through other comprehensive income	-	2,554,019	-	2,554,019
Other financial assets	-	-	461,938,633	461,938,633
Total Financial Assets	5,087,514,674	2,554,019	79,253,559,526	84,343,628,219

As at 31 March 2022	At Amortised Cost	
	Other Financial Liabilities	Total
	LKR	LKR
Liabilities		
Due to Banks	19,229,423,107	19,229,423,107
Due to Customers	48,077,987,723	48,077,987,723
Debt Instruments Issued and Other borrowed funds	1,295,844,686	1,295,844,686
Other Financial Liabilities	1,483,345,269	1,483,345,269
Total Financial Liabilities	70,086,600,785	70,086,600,785

47. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial Instruments recorded at Fair Value

The following is a description of how fair values are determined for financial instruments that are recorded at fair value using valuation techniques. These incorporate the Company's estimate of assumptions that a market participant would make when valuing the instruments.

Financial assets recognised through profit or loss - measured at fair value

Financial assets recognised through profit or loss are valued using a valuation technique and consists of government debt securities, investments in unit trust and listed equity securities.

The Company values the government securities using discounted cash flow valuation models which incorporate observable data. Observable inputs include assumptions regarding current rates of interest, daily unit traded prices, broker statements and market data published by Central Bank of Sri Lanka.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income, primarily consist of equity securities which are valued using valuation techniques or pricing models. These assets are valued using models that use both observable and unobservable data. Quoted equities are valued using quoted market prices in the active market as at the reporting date.

47.1 Determination of Fair Value and Fair Value Hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques.

Level 1 : quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy.

As at 31 March 2023	Level 1 LKR	Level 2 LKR	Level 3 LKR	Total LKR
Financial Assets				
Financial assets - Recognised through profit or loss				
Government of Sri Lanka Treasury Bills	8,433,839,633	-	-	8,433,839,633
Quoted equities	3,390,277	-	-	3,390,277
Financial assets -fire value through other comprehensive income				
Unquoted equities		-	2,554,019	2,554,019
Total Financial Assets	8,437,229,910	-	2,554,019	8,439,783,929
Non financial assets measured at fair value				
Freehold land	-	-	3,320,656,242	3,320,656,242
Building & Building integrals	-	-	2,433,830,420	2,433,830,420
Investment property	-	-	1,220,344,185	1,220,344,185
	-	-	6,974,830,847	6,974,830,847

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy.

As at 31 March 2022	Level 1 LKR	Level 2 LKR	Level 3 LKR	Total LKR
Financial Assets				
Financial assets - Recognised through profit or loss				
Government of Sri Lanka Treasury Bills	5,064,096,026	-	-	5,064,096,026
Quoted equities	23,418,648	-	-	23,418,648
Investments in Unit Trusts	-			-
Financial assets -fire value through other comprehensive income				-
Government of Sri Lanka Treasury Bills	-	-	-	-
Unquoted equities		-	2,554,019	2,554,019
Investments in Unit Trusts	-	-	-	-
Total Financial Assets	5,087,514,674	-	2,554,019	5,090,068,693
Non financial assets measured at fair value				
Freehold land	-	-	2,727,896,485	2,727,896,485
Building & Building integrals	-	-	1,501,607,756	1,501,607,756
Investment property	-	-	1,493,885,665	1,493,885,665
	-	-	5,723,389,906	5,723,389,906

There were no financial liabilities recorded at fair value as at 31 March 2023 and 31 March 2022.

47.2 Movements in level 3 financial instruments measured at fair value

Year ended 31 March	2023 LKR	2022 LKR
Equity Securities		
As at 1April	6,291,861	6,291,861
As at 31 March	6,291,861	6,291,861

47. FAIR VALUE OF FINANCIAL INSTRUMENTS (Contd...)

47.3 Movements in level 3 Non financial assets measured at fair value

Year ended 31 March 2023	Free hold Land LKR	Building & building integrals LKR	Investment Property LKR
Balance as at 1 April 2021	2,209,246,485	579,800,195	1,478,919,010
Disposals	-	-	(258,844,102)
Acquired during the year	518,650,000	913,448,058	564,439,736
Fair Value Recognised During the year	-	-	203,121,021
Disposals/Transfers	-	-	(493,750,000)
Depreciation	-	8,359,503	-
Balance as at 31 March 2022	2,727,896,485	1,501,607,756	1,493,885,665
Disposals	-	-	(63,499,700)
Acquired during the year	592,759,757	944,492,486	344,877,978
Fair Value Recognised During the year	-	-	37,840,000
Disposals/Transfers	-	-	(592,759,757)
Depreciation	-	(12,269,822)	-
Balance as at 31 March 2023	3,320,656,242	2,433,830,420	1,220,344,186

47.4 Estimated Fair Value of financial assets and liabilities carried at other than fair value

Set out below is the comparison, by class, of the carrying amounts of fair values of the Company's financial instruments that are not carried at fair value in the financial statements. This table does not include the fair values of non- financial assets and non- financial liabilities.

	Level	2023		2022	
		Carrying Amount LKR	Fair Value LKR	Carrying Amount LKR	Fair Value LKR
Financial Assets					
Cash and Bank Balances		2,437,142,080	2,437,142,080	2,632,255,117	2,632,255,117
Reverse Repurchase Agreements		860,000,000	860,000,000	354,147,585	354,147,585
Placement with Banks		2,666,945,165	2,666,945,165	1,811,884,152	1,811,884,152
Loans and Receivables	Level 2	21,028,377,642	21,706,229,655	18,990,319,759	20,274,482,405
Lease rentals receivable & Stock out on hire	Level 2	55,142,285,509	53,879,685,192	55,003,014,280	55,326,230,456
Other financial assets		170,759,082	170,759,082	461,938,633	461,938,633
Total Financial Assets		82,305,509,477	81,720,761,173	79,253,559,526	80,860,938,347
Financial Liabilities					
Due to Banks	Level 2	16,259,699,210	16,756,751,654	19,229,423,107	18,471,654,508
Due to Customers	Level 2	59,243,650,511	61,157,499,782	48,077,987,723	47,982,943,821
Debt Instruments Issued	Level 2	1,295,844,686	767,879,200	1,295,844,686	1,027,347,789
Other Financial Liabilities		984,158,637	984,158,637	1,483,345,269	1,483,345,269
Total Financial Liabilities		77,783,353,044	79,666,289,273	70,086,600,785	68,965,291,387

The following describes the methodologies and assumptions used to determine the fair values for those financial instruments which are not already recorded at fair value in the Financial Statements.

Assets for which Fair value approximates carrying value

For financial assets and financial liabilities that have a short term maturity (original maturities less than a year), it is assumed that the carrying amounts approximate their fair values. This assumption is also applied to fixed deposits, certificate of deposits and savings deposits without a specific maturity.

Long term deposits accepted from customers for which periodical interest is paid and loans and advances granted to customers with a variable rate are also considered to be carried at fair value in the books.

Fixed Rate Financial Instruments

Carrying amounts are considered as fair values for short term credit facilities. Loans and Advances with fixed interest rates were fair valued using market rates at which fresh loans were granted during the fourth quarter of the reporting year. Conversely, fixed deposits with original tenors above one year and interest paid at maturity were discounted using current market rates offered to customers during the fourth quarter of the reporting year. Interest rates based on Treasury Bond rates with similar tenors have been used to arrive at the fair value of debentures issued.

48. RISK MANAGEMENT

48.1 INTRODUCTION

Risk is inherent in a financial business and such risks are managed through a process of ongoing identification, measurement and monitoring. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities.

The Company is primarily exposed to credit risk, interest rate risk, operational risk and liquidity risk the management of which is explained below.

48.1.1 Risk Management structure

The Board of Directors is responsible for establishing the overall risk management framework within the Company. The Board Integrated Risk Management Committee (BIRMC), which is a sub-committee of the board has been established with delegated risk management responsibilities. The BIRMC plays a vital role in establishing best practices in relation to risk policies and practices within the Company.

The activities of the Company's risk management system take place at three broad levels of hierarchy, as follows:

-Strategic Level

Overall financial risks are monitored at the BIRMC level, and the decisions made by the BIRMC are communicated to the Board of Directors. The Board ratifies the risk policies and directions issued to the management by the BIRMC.

- Management Level:

Development and implementation of underlying procedures, processes and controls are carried out at the Management Level. Assuring the compliance with laid down policies, procedures and controls and reviewing the outcomes of operations, and measuring and analysing risk related information is also performed at this level.

- Operational Level:

The individuals accountable for the risk exposures relating to his or her responsibilities are required to comply with approved policies, procedures and controls.

48.1.2 Risk measurement and reporting system

A risk management process has been developed and is continuously reviewed by the BIRMC together with the operational management. The Company has established two risk sub committees, namely Credit Committee and Information Technology sub-committee to review operational risks related to each area. In addition the Assets and Liabilities Committee (ALCO) reviews market and liquidity risks. The effectiveness of these committees is assessed by the BIRMC.

48. RISK MANAGEMENT (Contd...)

The risk sub committees comprise of selected members of the operational management, middle management and operational staff of each relevant department. These sub committees meet on a regular basis and are responsible for identifying and analysing risks. The identified risks are taken up for discussion at risk subcommittee meetings and the minutes of the subcommittee meetings are circulated among the members of the BIRMC. The decisions and directives of the BIRMC are communicated to the operational management through the sub committees for operationalization of such decisions and directives.

48.2 Credit Risk

Credit risk is the potential loss incurred in the event that a borrower fails to fulfil agreed obligations. The Company's credit risk arises mainly from various accommodations granted and could be identified as the most significant risk faced by the Company.

Impairment Assessment

The methodology of the impairment assessment is explained in Note 5.5.5 under Accounting policies. The references below should be read in conjunction with those Accounting policies.

Mitigation:

Credit is required to be granted according to the approved policies and procedures of the Company. Special attention is given to credit risk management in terms of analysing customer credit worthiness through rigorous customer investigation before and after credit facilities are provided. Repayment of accommodations granted is closely monitored by those responsible for granting various facilities as well as those directly responsible for recovery activities. Indicators have been developed to measure risks associated with credit which are reviewed on a continuous basis for the entire organization as well as for each product and operational location.

Microfinance Loans & Abhiwurdhi SME Loans

As is the practice in the industry both in Sri Lanka and Internationally, Microfinance loans are granted without obtaining any security from the borrower. Abhiwurdhi Loans are granted mainly to Microfinance customers who have obtained Microfinance loans in the past and settled them satisfactorily. As these accommodations are not covered by collateral they could lead to substantial credit risks to the Company. Credit risks associated with Microfinance and Abhiwurdhi portfolios are controlled by the following measures:

- Limiting individual's first Microfinance loan to less than Rs. 40,000 and these are granted as Group-loans where loans granted to each member of the Group is guaranteed by the other members of the Group. Loans are granted after careful evaluation of the purpose for which they are taken and the repayment capacity,
- Microfinance Loans in higher amounts and Abhivurdhi SME Loans are granted based on past credit performance of applicants and with careful evaluation of the purpose for which they are taken and the repayment capacity,
- Weekly and fortnightly collection system which closely monitors each loan granted,
- Careful monitoring of various ratios such as Portfolio-at-Risk (PAR)

Gold Loans

The Company also has a substantial portfolio of loans and advances granted under pawn brokering and related activities. These facilities are granted mainly based on gold articles obtained as security. In the event the price of gold in the local market reduce substantially, this would lead to a reduction in the value of the security obtained thereby exposing the Company to the risk that some customers may not redeem the articles retained by the Company. Where the articles are not so redeemed, the difference between the realizable value of the article held and the total of the capital , interest and other charges due would result in a loss to the Company. In order to manage this risk the Company has adopted the following practices:

- Frequent review of gold prices in the local and international markets and adjusting the amount of the loans granted for each sovereign of gold contained in the article,
- Close follow up of the payment of capital and interest due on loans and advances granted,
- Structuring of the loans and advances granted in a manner that recovery action is possible

48.2.1 Assessment of Expected Credit Losses

(a) Analysis of the total impairment for expected credit losses is as follows,

As at 31 March 2023	Company / Group				
	Note	Stage 1	Stage 2	Stage 3	Total
		LKR	LKR	LKR	LKR
Loans and receivables	10.1	141,679,313	271,553,818	854,575,674	1,267,808,805
Lease Rentals Receivable & Stocks out on hire	11.1	491,078,123	2,589,586,829	4,101,775,928	7,182,440,880
Other Financial assets	13.1	94,715,240	-	-	94,715,240
		727,472,676	2,861,140,647	4,956,351,602	8,544,964,925

As at 31 March 2022	Company / Group				
	Note	Stage 1	Stage 2	Stage 3	Total
		LKR	LKR	LKR	LKR
Loans and receivables	10.1	309,980,759	363,529,169	766,630,950	1,440,140,878
Lease Rentals Receivable & Stocks out on hire	11.1	995,733,347	1,923,350,356	2,404,008,019	5,323,091,722
Other Financial assets	13.1	94,715,240	-	-	94,715,240
		1,400,429,345	2,286,879,526	3,170,638,969	6,857,947,840

Please refer Note 10.1 and 11.1 for the movement of expected credit loss of the Loans & Receivables and Lease rentals receivables & Stock out on hire respectively.

(b) Sensitivity analysis of impairment allowance for Loans and advances and Lease rentals receivables.

Change Criteria	Change Factor	Sensitivity Effect on impairment allowance increase	
		2023	2022
		LKR	LKR
Probability of Default	Increase by 5%	100,737,717	172,637,252
Loss Given Default	Increase by 5%	362,059,331	317,825,783
Realisation of Cash Flows - Individually Significant Loans	Delayed by 1 year	10,307,481	17,113,775
Economic Factor Adjustment	Increase worst case scenario probability by 5%	22,229,552	21,031,266

NOTES TO THE FINANCIAL STATEMENTS

48. RISK MANAGEMENT (Contd...)

48.2 Credit Risk (Contd...)

48.2.2 Analysis of maximum exposure to credit risk and collateral

The following table shows the maximum exposure to credit risk by class of financial asset.

Company	As at 31 March 2023		As at 31 March 2022	
	Maximum Exposure to Credit Risk	Net Exposure	Maximum Exposure to Credit Risk	Net Exposure
	LKR	LKR	LKR	LKR
Assets				
Cash and Bank Balances	2,437,142,080	2,437,142,080	2,632,255,116	2,632,255,116
Reverse Repurchase Agreements	860,000,000	-	354,147,585	-
Placements with Banks	2,666,945,165	2,666,945,165	1,811,884,152	1,811,884,152
Financial assets recognised through profit or loss - measured at fair value	8,437,229,910	8,437,229,910	5,087,514,674	5,087,514,674
Financial assets at amortised cost				
Loans and Receivables	22,296,186,446	4,244,503,643	20,430,460,637	4,716,506,978
Lease rentals receivable & Stock out on hire	62,324,726,389	376,958,744	60,326,106,002	347,977,357
Debt & other instruments	-	-	-	-
Financial assets recognised through profit or loss - measured at fair value	2,554,019	2,554,019	2,554,019	2,554,019
Other financial assets	170,759,082	170,759,082	461,938,633	461,938,633
Total Financial Assets	99,195,543,092	18,336,092,641	91,106,860,818	15,060,630,929

48.2.2.1 Collateral held and other credit enhancement

	Percentage of exposure that is subject to collateral requirements		Types of Collateral Held
As at 31st March	2023	2022	
Type of credit exposure	%	%	
Hire Purchase Receivables	100	100	Vehicles
Finance Lease Receivables	100	100	Vehicles
Loans and Advances- Auto Loans	100	100	Vehicles
Loans and Advances- Micro Finance	100	100	Guarantors
Loans and Advances- RBL	100	100	Guarantors
Loans and Advances- Gold Loans	100	100	Pawning Articles
Loans and Advances- Loans against Deposits	100	100	Lien Deposits
Loans and Advances- Personal Loans	100	100	Guarantors
Loans to Employees	100	100	Vehicles and Guarantors
Placement with Banks	100	100	Cash
Financial Assets at Amortised Cost-Debt and Other Financial Instruments	100	100	Marketable Securities

48.3 Liquidity Risk & Funding Management

Liquidity risk is the risk of only being able to meet liquidity obligations at increased cost or, ultimately, being unable to meet obligations as they fall due. In the case of the Company this relates mainly to the ability to meet refund of deposits obtained from the public as they fall due and settlement of instalments on bank and other borrowings.

Mitigation:

Special attention is focused on the liquidity of the Company as it provides critical defense against this and several other risks such as reputational, compliance, and financial risks. An Asset Liability Management policy has been developed and integrated in to risk policy to provide necessary guidelines. The Company's projected liquidity requirements are assessed on a continuous basis to ensure that they can be met as and when such requirements arise. The Company also strives to ensure that the liquidity ratios required to be maintained by the applicable Central Bank regulations are complied with.

The Company's primary objective in liquidity risk management is to ensure adequate funding for its businesses throughout market cycles, including periods of financial stress. To achieve this objective the company regularly monitors liquidity position and maintain an adequate buffer of liquid assets. company also maintains access to diverse funding sources to meet unforeseen liquidity requirements. All statutory and prudent liquidity ratios are monitored against tolerance limits and stress testing is carried out regularly to assess the effectiveness of liquidity management. With the continuation of the COVID 19 disruptions this year, the company introduced more rigour to the processes already in place to manage its liquid assets. While closely monitoring any developments related to the pandemic, it has continued to keep its risk management measures under review to readily respond to changing circumstances. The company is comfortable with its existing buffer of liquid assets. The actions taken will help to maintain existing liquidity position while mitigating any disruptive effect on liquidity that may arise due to the continuously evolving nature of the pandemic.

48.3.1 The Finance Companies (Liquid Assets) Direction No. 01 of 2009 requires Company to maintain minimum liquid assets as follows;

a) 10% of the outstanding value of time deposits received by the company and accrued interest payable at close of business on such day; and

b) 15% of the outstanding value of savings deposits accepted by the company and accrued interest payable at close of business on such day: and

c) 10% of total outstanding borrowings and any other payable that may be determined by the CBSL excluding the borrowings that are included in the capital funds of the company and borrowings which are secured by the mortgage of any assets of the company.

48.3.2 Analysis Of Financial Assets And Liabilities By Remaining Contractual Maturities

NOTES TO THE FINANCIAL STATEMENTS

48. RISK MANAGEMENT (Contd...)

48.2 Liquidity Risk & Funding Management (Contd...)

The table below summarises the maturity profile of the undiscounted cash flows of the Company's financial assets and liabilities as at 31 March 2023.

Company	On Demand LKR	Less than 03 Months LKR	03-12 Months LKR	01-05 Years LKR	Over 05 Years LKR	Total LKR
Financial Assets						
Cash and Bank Balances	2,437,142,080	-	-	-	-	2,437,142,080
Reverse repurchase agreements	-	861,063,031	-	-	-	861,063,031
Placement with Banks	11,655	2,395,925,642	376,636,587	-	-	2,772,573,884
Financial assets recognised through profit or loss - measured at fair value	3,390,277	8,086,178,109	635,673,944	-	-	8,725,242,330
Loans and Advances	5,541,197,532	9,622,760,054	5,874,810,644	2,936,861,995	54,163,866	24,029,794,092
Lease rentals receivable & Stock out on hire	9,411,543,212	10,680,842,260	28,731,368,253	39,998,921,809	14,798,477	88,837,474,011
Financial assets at fair value through other comprehensive income	-	-	-	-	2,554,019	2,554,019
Other financial assets	-	170,759,082	-	-	-	170,759,082
Total Financial Assets	17,393,284,754	31,817,528,179	35,618,489,428	42,935,783,804	71,516,362	127,836,602,528
Financial Liabilities						
Due to Banks	323,870,724	3,884,393,680	9,204,429,909	7,485,700,974	-	20,898,395,287
Due to Customers	1,562,422,226	26,661,836,089	24,096,161,884	28,459,059,044	-	80,779,479,243
Debt Instruments Issued and Other borrowed funds	-	-	115,883,100	1,519,356,200	-	1,635,239,300
Other Financial Liabilities	-	984,158,637	-	-	-	984,158,637
Total Financial Liabilities	1,886,292,950	31,530,388,407	33,416,474,893	37,464,116,218	-	104,297,272,467
Total Net Financial Assets/(Liabilities)	15,506,991,805	287,139,772	2,202,014,535	5,471,667,586	71,516,362	23,539,330,061

The table below summarises the maturity profile of the undiscounted cash flows of the Company's financial assets and liabilities as at 31 March 2022.

Company 2022	On Demand LKR	Less than 03 Months LKR	03-12 Months LKR	01-05 Years LKR	Over 05 Years LKR	Total LKR
Financial Assets						
Cash and Bank Balances	2,632,255,116	-	-	-	-	2,632,255,116
Reverse repurchase agreements	-	357,429,623	-	-	-	357,429,623
Placement with Banks	37,670,154	736,155,560	1,080,978,891	-	-	1,854,804,605
Financial assets recognised through profit or loss - measured at fair value	23,418,648	5,064,096,026	-	-	-	5,087,514,674
Financial assets at amortised cost						-
Loans and Advances	590,946,842	12,250,270,139	5,993,530,905	3,262,452,974	38,432,834	22,135,633,695
Lease rentals receivable & Stock out on hire	9,748,922,779	9,745,669,143	25,993,569,503	41,137,686,327	13,087,184	86,638,934,936
Debt & other instruments	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	-	-	-	2,554,019	2,554,019
Other financial assets		461,938,633				461,938,633
Total Financial Assets	13,033,213,539	28,615,559,124	33,068,079,299	44,400,139,300	54,074,037	119,171,065,300
Financial Liabilities						
Due to Banks	1,460,060,460	3,015,106,700	8,698,023,123	7,886,254,908	-	21,059,445,191
Due to Customers	1,588,492,525	13,309,960,459	25,753,891,188	11,383,299,497	-	52,035,643,669
Debt Instruments Issued and Other borrowed funds	-	-	115,883,100	1,635,239,300	-	1,751,122,400
Other Financial Liabilities	-	1,483,345,269	-	-	-	1,483,345,269
Total Financial Liabilities	3,048,552,985	17,808,412,427	34,567,797,411	20,904,793,705	-	76,329,556,529
Total Net Financial Assets/ (Liabilities)	9,984,660,553	10,807,146,697	(1,499,718,112)	23,495,345,595	54,074,037	42,841,508,771

48.3.3 Contractual Maturities Of Financial Commitments

The table below shows the contractual expiry by maturity of the customers' undrawn loan commitments. These are included in the time band containing the earliest date such can be drawn down by the Customers.

NOTES TO THE FINANCIAL STATEMENTS

48. RISK MANAGEMENT (Contd...)

48.2 Liquidity Risk & Funding Management (Contd...)

As at 31 March 2023	Company / Group					
	On Demand	Less than 03 Months	03-12 Months	01-05 Years	Over 05 Years	Total
	LKR	LKR	LKR	LKR	LKR	LKR
Commitments						
Commitment for unutilised facilities	126,527,866	-	-	-	-	126,527,866
Financial guarantee contracts	4,500,000	69,100,000	152,456,000	129,200,000	-	355,256,000
Total Commitments	131,027,866	69,100,000	152,456,000	129,200,000	-	481,783,866

As at 31 March 2022	Company					
	On Demand	Less than 03 Months	03-12 Months	01-05 Years	Over 05 Years	Total
	LKR	LKR	LKR	LKR	LKR	LKR
Commitments						
Commitment for unutilised facilities	147,578,067	-	-	-	-	147,578,067
Financial guarantee contracts	-	54,500,000	91,525,000	425,000,000	-	571,025,000
Total Commitments	147,578,067	54,500,000	91,525,000	425,000,000	-	718,603,067

48.4 Market Risk

Market risk is the risk arising from fluctuations in market variables such as interest rates, foreign exchange rates, equity prices and gold prices. This is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in the market variables. As the Company's operations involve granting accommodations, accepting deposits and obtaining funding facilities, the movements in interest rates constitute the most important market risk for the Company.

Mitigation:

Movements in interest rates are closely monitored. Further the Company maintains an adequate Net Interest Margin (NIM) so that increases in interest expenses can be absorbed. The assets and liabilities maturity mismatch is also closely monitored so that the possible adverse effects arising due to interest rate movements could be minimized. Although the mismatch in assets and liabilities in terms of maturity is widely prevalent in the industry, in view of the composition of the portfolio of the Company, this mismatch has been mitigated to a significant extent.

48.4.1 Equity price risk

Equity price risk is the risk that the fair value of equities decreasing as a result of changes in the level of equity indices and individual stocks. The market value of the Company's equity portfolio as of 31 March 2023 is LKR 3,390,277/- (2022 - LKR 23,418,648/-).

The table below shows the impact on the profit or loss due to a reasonably possible change in the price of the Company's investment in trading securities with all other variables held constant:

	Impact on profit/loss	
	Company	
	2023	2022
	LKR	LKR
+10%	339,028	2,341,865
-10%	(339,028)	(2,341,865)

48.4.2 Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

48.4.3 Interest Rate Sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the company's profit or loss statements and equity, arising from interest bearing loans and borrowings.

Financial Instrument	Increase/ (Decrease) in basis points	Company / Group			
		Sensitivity of Profit/(Loss)		Sensitivity of Equity	
		2023	2022	2023	2022
		LKR Mn	LKR Mn	LKR Mn	LKR Mn
Long Term Loans linked to AWPLR*	+500/ (-500)	(412.38)/412.38	(450.73)/ 450.73	(412.38)/412.38	(450.73)/ 450.73

48.4.4 Interest Rate Risk Exposure On Financial Assets & Liabilities

The table below analyses the Company's interest rate risk exposure on financial assets & liabilities. The Company's assets & liabilities are included at carrying amounts and categorized by the earlier of contractual reprising or maturity dates.

As at 31 March 2023	Company					
	Up to 03 Months	03-12 Months	01-05 Years	Over 05 Years	Non interest bearing	Total as at 31 March 2023
	LKR	LKR	LKR	LKR	LKR	LKR
Assets						
Cash and Bank Balances	2,053,636,355	-	-	-	383,505,725	2,437,142,081
Reverse repurchase agreements	860,000,000	-	-	-	-	860,000,000
Placement with Banks	2,226,844,579	440,100,586	-	-	-	2,666,945,164
Financial assets recognised through profit or loss - measured at fair value	7,798,165,689	635,673,944			3,390,277	8,437,229,910
Loans and receivables	13,442,897,671	5,104,193,486	2,390,728,921	44,097,019	46,460,545	21,028,377,641
Lease rentals receivable & Stock out on hire	8,716,081,380	17,292,568,679	29,120,672,083	12,963,369	-	55,142,285,509
Financial assets at fair value through other comprehensive income	-	-	-	-	2,554,019	2,554,019
Other financial assets	-	-	-	-	170,759,082	170,759,082
Total Financial Assets	35,097,625,674	23,472,536,694	31,511,401,003	57,060,387	606,669,648	90,745,293,407

48. RISK MANAGEMENT (Contd...)

48.4.4 Interest Rate Risk Exposure On Financial Assets & Liabilities (Contd...)

As at 31 March 2023	Company					
	Up to 03 Months	03-12 Months	01-05 Years	Over 05 Years	Non interest bearing	Total as at 31 March 2023
	LKR	LKR	LKR	LKR	LKR	LKR
Financial Liabilities						
Due to banks	3,095,133,624	6,641,735,161	6,522,830,424	-	-	16,259,699,208
Due to Customers	6,069,474,868	36,193,162,304	17,026,102,391	-	-	59,288,739,563
Debt Instruments Issued and Other borrowed funds	-	-	1,295,844,686	-	-	1,295,844,686
Other Financial Liabilities	-	-	-	-	984,158,637	984,158,637
Total Financial Liabilities	9,164,608,491	42,834,897,465	24,844,777,501	-	984,158,637	77,828,442,094
Interest Sensitivity Gap	25,933,017,183	(19,362,360,771)	6,666,623,503	57,060,387	(377,488,990)	12,916,851,312

As at 31 March 2022	Company					
	Up to 03 Months	03-12 Months	01-05 Years	Over 05 Years	Non interest bearing	Total as at 31 March 2022
	LKR	LKR	LKR	LKR	LKR	LKR
Assets						
Cash and Bank Balances	2,157,769,430	-	-	-	474,485,686	2,632,255,116
Reverse repurchase agreements	354,147,585	-	-	-	-	354,147,585
Placement with Banks	769,262,757	1,042,621,395	-	-	-	1,811,884,152
Financial assets recognised through profit or loss - measured at fair value	5,064,096,026	-	-	-	23,418,648	5,087,514,674
Loans and receivables	12,440,832,736	5,293,467,902	1,196,174,538	32,463,402	27,381,181	18,990,319,759
Lease rentals receivable & Stock out on hire	15,002,688,111	15,626,657,770	24,361,567,928	12,100,472	-	55,003,014,280
Debt & other Instruments	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	-	-	-	2,554,019	2,554,019
Other financial assets	-	-	-	-	461,938,633	461,938,633
Total Financial Assets	35,788,796,645	21,962,747,068	25,557,742,466	44,563,874	989,778,166	84,343,628,218
Financial Liabilities						
Due to banks	4,859,869,056	7,533,754,280	6,835,799,772	-	-	19,229,423,107
Due to Customers	14,167,158,468	23,915,623,011	9,995,206,244	-	-	48,077,987,723
Debt Instruments Issued and Other borrowed funds	-	-	1,295,844,686	-	-	1,295,844,686
Other Financial Liabilities	-	-	-	-	1,483,345,269	1,483,345,269
Total Financial Liabilities	19,027,027,524	31,449,377,289	18,126,850,702	-	1,483,345,269	70,086,600,784
Interest Sensitivity Gap	16,761,769,121	(9,486,630,223)	7,430,891,765	44,563,874	(493,567,103)	14,257,027,434

49. CURRENT AND NON CURRENT ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

Year ended 31 March 2023	Company					
	2023			2022		
	With in 12 Months	After 12 Months	Total as at 31 March 2023	With in 12 Months	After 12 Months	Total as at 31 March 2022
	LKR	LKR	LKR	LKR	LKR	LKR
Assets						
Cash and Bank Balances	2,437,142,080	-	2,437,142,080	2,632,255,116	-	2,632,255,116
Reverse Repurchase Agreements	860,000,000	-	860,000,000	354,147,585	-	354,147,585
Placement with Banks	2,666,945,165	-	2,666,945,165	1,811,884,152	-	1,811,884,152
Financial assets recognised through profit or loss - measured at fair value	8,433,839,633	3,390,277	8,437,229,910	5,064,096,026	23,418,648	5,087,514,674
Loans and Receivables	18,593,551,702	2,434,825,939	21,028,377,642	17,761,681,819	1,228,637,941	18,990,319,759
Lease rentals receivable & Stock out on hire	26,008,650,058	29,133,635,451	55,142,285,509	30,629,345,880	24,373,668,400	55,003,014,280
Financial assets at fair value through other comprehensive income	-	2,554,019	2,554,019	-	2,554,019	2,554,019
Other financial assets	7,418,071	163,341,012	170,759,082	298,276,868	163,661,764	461,938,633
Inventories	-	215,979,349	215,979,349	-	88,973,435	88,973,435
Other assets	-	714,279,365	714,279,365	248,581,668	253,072,976	501,654,644
Investments in Subsidiaries	-	15,000,000	15,000,000	-	-	-
Investments in associates	-	342,306,353	342,306,353	-	300,640,397	300,640,397

NOTES TO THE FINANCIAL STATEMENTS

49. CURRENT AND NON CURRENT ANALYSIS OF ASSETS AND LIABILITIES (Contd...)

Year ended 31 March 2023	Company					
	2023			2022		
	With in 12 Months	After 12 Months	Total as at 31 March 2023	With in 12 Months	After 12 Months	Total as at 31 March 2022
	LKR	LKR	LKR	LKR	LKR	LKR
Investment property	-	1,220,344,185	1,220,344,185	-	1,493,885,665	1,493,885,665
Property, plant and equipment	-	6,460,091,383	6,460,091,383	-	4,826,749,332	4,826,749,332
Intangible assets & goodwill	-	894,398,277	894,398,277	-	888,783,421	888,783,421
Right of use assets	83,497,167	300,035,308	383,532,475	-	485,538,621	485,538,621
Deferred tax assets	-	1,163,215,632	1,163,215,632	-	700,374,664	700,374,664
Total Assets	59,091,043,876	43,063,396,550	102,154,440,425	58,800,269,115	34,829,959,281	93,630,228,396
Liabilities						
Due to Banks	9,736,868,784	6,522,830,426	16,259,699,210	12,393,623,335	6,835,799,772	19,229,423,107
Due to Customers	42,262,637,172	16,981,013,339	59,243,650,511	38,082,781,479	9,995,206,244	48,077,987,723
Debt instruments issued	-	1,295,844,686	1,295,844,686	-	1,295,844,686	1,295,844,686
Other Financial Liabilities	984,158,637	-	984,158,637	1,483,345,269	-	1,483,345,269
Other liabilities	2,190,152,877	175,839,940	2,365,992,817	2,617,332,526	205,148,347	2,822,480,873
Post employment benefit obligations	-	365,950,612	365,950,612	-	334,424,812	334,424,812
Current tax liabilities	1,280,129,104	-	1,280,129,104	1,193,392,657	-	1,193,392,657
Total liabilities	56,453,946,575	25,341,479,003	81,795,425,578	54,577,082,609	18,666,423,861	74,436,899,127

50. COMMITMENTS AND CONTINGENCIES

There were no material contingent liabilities outstanding as at the reporting date.

Legal Claims

The Company has controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Company makes adjustments to account for any adverse effects which the claims may have on its financial standing. At year-end the Company had seven unresolved legal claims amounting to LKR 28,400,000/- (2022-LKR 28,400,000/-) against the Company.

Although there can be no assurance, the Company believes, based on the information currently available, that the ultimate resolution of such legal procedures would not likely to have a material adverse effect of the results of operations, financial position of liquidity. Accordingly, no provision for any liabilities has been made in these Financial Statements.

50.1 Commitments

	2023 LKR	2022 LKR
Commitment for unutilised facilities	126,527,866	147,578,067
Guarantees issued	355,256,000	571,025,000
Total commitments and contingencies	481,783,866	718,603,067

51. ASSETS PLEDGED

The following assets have been pledged as security for liabilities.

Company/Group Nature of Assets	Nature of Liability	Carrying Amount Pledged 2023 LKR	 2022 LKR	Included Under
Lease Rentals Receivable & Stock out on Hire	Loans	14,410,483,679	15,809,026,805	Lease Rentals Receivable & Stock out on Hire
Microfinance Loans / Gold Loans	Loans	13,681,155,090	979,513,325	Loans & Receivables
Land & Building	Loans	631,494,513	631,494,513	Property, Plant and Equipment
Balance held in foreign currency account	Loans	-	-	Cash & Bank Balances
Placement with banks	Loans	515,483,046	692,950,429	Placement with banks
		29,238,616,329	18,112,985,072	

52. RELATED PARTY TRANSACTIONS

The Company carried out transactions with parties who are defined as Related Parties as per the Sri Lanka Accounting Standard - LKAS 24 'Related Party Disclosures'.

Details of significant related party transactions which the company had during the year are as follows,

The Company carried out transactions in the ordinary course of business on an arm's length basis at commercial rates with parties who are defined as related parties as per LKAS 24 - "Related Party Disclosures" under the supervision of Related Party Transactions Review Committee.

NOTES TO THE FINANCIAL STATEMENTS

52. RELATED PARTY TRANSACTIONS (Contd...)

52.1 Transactions with Key Managerial Personnel (KMPs)

Related party includes KMPs defined as those persons having authority and responsibility for planning directing and controlling the activities for the Company and "Key Management Personnel" has been defined to be the Board of Directors of the Company fall under such definition.

52.1.1 Key Management Personnel Compensation

Year ended 31 March 2023	Company	
	2023	2022
	LKR	LKR
Short Term Employment Benefits	99,284,687	157,936,529
Post Employment Benefits	9,238,500	9,148,500
Directors Fees & Expenses	16,310,000	11,310,000
	124,833,187	178,395,029

52.1.2 Transactions, Arrangements and Agreements Involving KMPs, and their Close Members of Family (CFMs)

CFMs of a KMPs are those family members who may be expected to influence, or be influenced by, that KMP in their dealing with the entity.

Year ended 31 March 2023	Company	
	2023	2022
	LKR	LKR
Deposits held at the end of the year	64,509,977	40,280,005
Interest on Fixed Deposits	5,157,593	1,741,774
Dividend Paid	13,063,358	1,074,520

52.2 Transactions with related entities

52.2.1 Transactions with Ultimate Controlling Party

Amounts paid for being a member of the Key Management Personnel as included in 52.1 above.

52.2.2 Transactions with Ultimate Parent Entity

Year ended 31 March 2023	Company	
	2023	2022
	LKR	LKR
BG Capital (Pvt) Ltd		
Investment in Fixed Deposit at Commercial Credit and Finance PLC	257,420,000	-

52.2.3 Transactions with Immediate Parent Entity

Year ended 31 March 2023	Company	
	2023	2022
	LKR	LKR
BG Investments (Pvt) Ltd		
Dividends Paid (Gross)	318,460,192	398,075,240
Investment in Fixed Deposit at Commercial Credit and Finance PLC	300,292,236	-

52.2.4 Transactions with Significant Investor - Group Lease Holdings Pte Ltd

Year ended 31 March 2023	Company	
	2023	2022
	LKR	LKR
Dividend Paid (Gross)	190,781,000	238,476,250

52.2.5 Transactions with Associates

Year ended 31 March 2023	Company	
	2023	2022
	LKR	LKR
TVS Lanka (Pvt) Ltd Payment for lease contracts	2,458,187	4,116,060
Purchase of vehicles	356,868,750	39,056,250

52.2.6 Transactions with other group entities

Year ended 31 March 2023	Company	
	2023	2022
	LKR	LKR
(a) APIIT Lanka (Pvt) Ltd		
Investment in Fixed Deposits at Commercial Credit and Finance PLC	-	-
Interest paid on Fixed Deposits	-	8,282,483
MBA Fees Payments	-	-

52. RELATED PARTY TRANSACTIONS (Contd...)

Year ended 31 March 2023	Company	
	2023	2022
	LKR	LKR
(b) Creation Investments Lanka LLC		
Dividend Paid	55,127,028	68,908,785

During the financial year there were no Non Recurrent Related party transactions, in aggregate that exceeds 10% of the equity or 5% of the total assets and, Recurrent related party transactions , in aggregate that exceeds 10% of the gross revenue / Income that required further disclosures.

53. EVENTS AFTER THE REPORTING DATE

There are no other events occurring after the reporting date which require adjustments to or disclosure in the financial statements.

ACCOUNTING POLICY

All material events after the reporting date events have been considered where appropriate judgement or disclosures are made in respective notes to the Financial Statements.

54. CAPITAL

The Company maintains capital in order to cover risks inherent in the business and meet the capital adequacy requirements of Central Bank of Sri Lanka. The adequacy of the Company's capital is monitored based on the measures, rules and ratios adopted by Central Bank of Sri Lanka. As at the reporting date company has maintained the capital adequacy ratio as required by Central Bank of Sri Lanka.

SUPPLEMENTARY INFORMATION

TEN YEAR SUMMARY

Operating Results	2013/14 Company LKR.'000	2014/15 Group LKR.'000	2015/16 Group LKR.'000	2016/17 Group LKR.'000	2017/18 Group LKR.'000	2018/19 Group LKR.'000	2019/20 Group LKR.'000	2020/21 Amalgamated LKR.'000	2021/22 Compnay LKR.'000	2022/23 Group LKR.'000
Interest Income	22,125,266	20,835,015	16,086,956	18,365,076	25,054,774	22,125,266	20,835,015	16,086,956	18,365,076	25,054,774
Net Interest Income	12,465,523	10,912,143	9,035,088	11,948,942	11,106,687	12,465,523	10,912,143	9,035,088	11,948,942	11,106,687
Interest Expenses	9,659,743	9,922,873	7,051,868	6,416,135	13,948,087	9,659,743	9,922,873	7,051,868	6,416,135	13,948,087
Operating Expenses	6,959,003	6,466,977	5,463,040	5,858,222	6,562,850	6,959,003	6,466,977	5,463,040	5,858,222	6,562,850
Profit/(Loss) before Tax	3,562,858	2,185,069	3,192,394	6,391,345	3,886,211	3,562,858	2,185,069	3,192,394	6,391,345	3,886,211
Income Tax & VAT on Financial Services	2,103,227	1,159,955	1,670,018	3,271,998	2,491,004	2,103,227	1,159,955	1,670,018	3,271,998	2,491,004
Net Profit/(Loss)	2,635,586	2,006,616	2,334,756	4,520,313	2,616,271	2,635,586	2,006,616	2,334,756	4,520,313	2,616,271
Dividend Paid	238,556	318,074	-	795,186	636,149	238,556	318,074	-	795,186	636,149
ASSETS										
Cash & Bank Balance	2,340,080	1,208,462	2,239,713	2,632,255	2,455,287	2,340,080	1,208,462	2,239,713	2,632,255	2,455,287
Treasury Bills & Bonds	2,054,937	2,034,739	3,821,889	5,064,096	8,434,058	2,054,937	2,034,739	3,821,889	5,064,096	8,434,058
Placements with Banks & Other Finance Companies	3,513,125	3,826,996	4,487,754	1,811,884	2,666,945	3,513,125	3,826,996	4,487,754	1,811,884	2,666,945
Investment in Dealing Securities	60,257	39,202	39,740	23,419	3,390	60,257	39,202	39,740	23,419	3,390
Lease,Hire Purchase,Loans and Advances	70,082,305	71,066,766	68,567,137	73,993,334	76,170,663	70,082,305	71,066,766	68,567,137	73,993,334	76,170,663
Property, Plant and Equipment	3,131,139	3,126,825	3,457,055	4,826,749	6,460,091	3,131,139	3,126,825	3,457,055	4,826,749	6,460,091
Total Assets	89,142,633	89,862,177	91,129,873	93,630,228	102,193,112	89,142,633	89,862,177	91,129,873	93,630,228	102,193,112
LIABILITIES										
Deposits	53,936,319	48,948,642	47,989,537	48,077,988	59,243,651	53,936,319	48,948,642	47,989,537	48,077,988	59,243,651
Borrowings	14,374,366	18,946,897	22,302,676	18,733,076	16,147,547	14,374,366	18,946,897	22,302,676	18,733,076	16,147,547
Total Liabilities	76,316,667	75,366,000	75,733,517	74,436,899	81,817,455	76,316,667	75,366,000	75,733,517	74,436,899	81,817,455
SHARE HOLDERS' FUNDS										
Stated Capital	2,150,640	2,150,640	2,150,640	2,150,640	2,150,640	2,150,640	2,150,640	2,150,640	2,150,640	2,150,640
Reserves	10,669,185	12,338,347	13,245,715	17,042,689	18,225,017	10,669,185	12,338,347	13,245,715	17,042,689	18,225,017
Total Share Holders' Funds	12,825,967	14,496,177	15,396,356	19,193,329	20,375,657	12,825,967	14,496,177	15,396,356	19,193,329	20,375,657
RATIOS										
Growth of Income (%)	1.84	-5.83	26.20	19.94	32.89%	1.84	-5.83	26.20	19.94	32.89%
Growth of Net Profit (%)	3.68	-23.86	16.35	93.61	-42.12%	3.68	-23.86	16.35	93.61	-42.12%
Interest Cover (times)	0.69	0.70	1.57	2.22	1.36	0.69	0.70	1.57	2.22	1.36
Net Assets Growth (%)	-0.60	13.02	6.21	24.66	6.16%	-0.60	13.02	6.21	24.66	6.16%
Equity Assets Ratio (%)	14.39	16.13	16.89	20.50	19.94%	14.39	16.13	16.89	20.50	19.94%
Growth of Leases, Hire Purchases, Loans and Advances (%)	-5.33	1.40	-3.52	7.91	2.94%	-5.33	1.40	-3.52	7.91	2.94%
Return on Assets (%)	0.95	0.98	2.58	4.89	2.67	0.95	0.98	2.58	4.89	2.67
Return on Equity (%)	27.69	15.99	15.62	26.14	13.22	27.69	15.99	15.62	26.14	13.22
Total Assets to Share Holders' Funds (times)	6.95	6.20	5.92	4.88	5.02	6.95	6.20	5.92	4.88	5.02
Fixed Assets to Share Holders' Funds (times)	0.24	0.22	0.22	0.25	0.32	0.24	0.22	0.22	0.25	0.32
Net Asset per Share	40.32	45.57	48.40	60.34	64.01	40.32	45.57	48.40	60.34	64.01
Earning per Share	8.28	6.30	7.34	14.21	8.17	8.28	6.30	7.34	14.21	8.17
Dividend per Share	0.75	1.00	-	2.50	2.00	0.75	1.00	-	2.50	2.00

INVESTOR INFORMATION

1.STOCK EXCHANG LISTING

The Ordinary shares of the company listed on the clombo stock Exchange since 1 June 2011 and the stock exchange ticker symbol for commercial credit and finance PLC is " COCR ".

2.SHARE HOLDER BASE

The Total Number of (Ordinary Voting) shareholders as at 31 March 2023 were 2,500 compared to 2,687 shareholders as at 31 March 2022.

3. DISTRIBUTION SHAREHOLDERS

	As at 31 March 2023			As at 31 March 2022		
Range of Shares	No of Shareholders	No of Shares	Percent of Shareholding	No of Shareholders	No of Shares	Percent of Shareholding
1- 1000	1,544	413,539	0.13%	1656	467,426	0.15%
1,001-10,000	743	2,732,170	0.86%	791	2,924,224	0.92%
10,001-100,000	186	5,309,193	1.67%	211	6,087,740	1.91%
100,001-1,000,000	14	3,695,925	1.16%	16	4,499,116	1.41%
1,000,001 & Over	13	305,923,538	96.18%	13	304,095,859	95.61%
Total	2,500	318,074,365	100.00%	2687	318,074,365	100.00%

4. COMPOSITION OF SHAREHOLDERS

	As at 31 March 2023			As at 31 March 2022		
Shareholders	No.of Shareholders	No.of Shares	% of Shareholdings	No.of Shareholders	No.of Shares	% of Shareholdings
Resident	2,486	194,823,589	61.25	2,673	194,948,491	61.29
Non- Resident	14	123,250,776	38.75	14	123,125,874	38.71
Total	2,500	318,074,365	100.00	2,687	318,074,365	100.00
Individual	2,383	23,957,680	7.53	2,535	23,852,064	7.50
Institution	117	294,116,685	92.47	152	294,222,301	92.50
Total	2,500	318,074,365	100.00	2,687	318,074,365	100.00

5.TOP TWENTY SHAREHOLDERS

Ordinary Voting Shares		As at 31st March 2023	
No.	Name of the Shareholder	No.of Shares	%
1	B G INVESTMENTS (PVT) LIMITED	132,530,096	41.67%
2	GROUP LEASE HOLDINGS PTE LTD	95,390,500	29.99%
3	LANKA ORIX FINANCE PLC / B G INVESTMENTS (PVT) LTD	26,700,000	8.39%
4	CREATION INVESTMENTS SRI LANKA,LLC	20,347,220	6.40%
5	CREATION INVESTMENTS SL1 LLC	7,216,294	2.27%
6	PEOPLES LEASING & FINANCE PLC /MS.S.N.EGODAGE	5,093,438	1.60%
7	DR. E. FERNANDO	5,000,000	1.57%

INVESTOR INFORMATION

Ordinary Voting Shares — As at 31st March 2023

No.	Name of the Shareholder	No.of Shares	%
8	CEYLINCO LIFE INSURANCE LIMITED ACCOUNT NO.1	4,014,843	1.26%
9	MRS. H.H.J. HEWAGE	1,946,124	0.61%
10	MR. S.M.HEMACHANDRA	1,755,670	0.55%
11	MR. T.K.HEMACHANDRA	1,555,689	0.49%
12	MRS. H.N.HEMACHANDRA	1,440,000	0.45%
13	MISS. S.N.EGODAGE	1,276,000	0.40%
14	MR. N.Y.HEMACHANDRA	1,055,585	0.33%
15	MR. S.B.HEMACHANDRA	960,594	0.30%
16	MR. D.T.SEMAGE	717,764	0.23%
17	PEOPLES LEASING & FINANCE PLC/B G INVESTMENTS (PVT) LIMITED	602,079	0.19%
18	DFCC BANK PLC/P.S.R.CASIE CHITTY	429,808	0.14%
19	MR. P.L.S.ARIYANANDA	222,050	0.07%
20	HATTON NATIONAL BANK PLC/JUDE NISHANTHA WEERAKOON	210,526	0.07%
	Sub Total	309,066,359	97.17%
	Other	9,008,006	2.83%
	Total	318,074,365	100%

Ordinary Voting Shares — As at 31st March 2022

No.	Name of the Shareholder	No.of Shares	%
1	B G INVESTMENTS (PVT) LIMITED	132,530,096	41.67%
2	GROUP LEASE HOLDINGS PTE LTD	95,390,500	29.99%
3	LANKA ORIX FINANCE PLC/B.G.INVESTMENTS (PVT) LTD	26,700,000	8.39%
4	CREATION INVESTMENTS SRI LANKA,LLC	20,347,220	6.40%
5	CREATION INVESTMENTS SL1 LLC	7,216,294	2.27%
6	PEOPLES LEASING & FINANCE PLC /MS.S.N.EGODAGE	5,093,438	1.60%
7	DR. E.FERNANDO	5,000,000	1.57%
8	CEYLINCO LIFE INSURANCE LIMITED ACCOUNT NO.1	4,014,843	1.26%
9	MRS. H.H.J.HEWAGE	1,946,124	0.61%
10	MR. S.M.HEMACHANDRA	1,746,070	0.55%
11	MR. T.K.HEMACHANDRA	1,555,689	0.49%
12	MRS. H.N.HEMACHANDRA	1,500,000	0.47%
13	MR. N.Y.HEMACHANDRA	1,055,585	0.33%
14	MR. S.B.HEMACHANDRA	1,000,000	0.31%
15	PEOPLES LEASING & FINANCE PLC/BG INVESTMENTS (PVT) LIMITED	602,079	0.19%
16	DFCC BANK PLC/P.S.R.CASIE CHITTY	429,808	0.14%

Ordinary Voting Shares		As at 31st March 2022	
No.	Name of the Shareholder	No.of Shares	%
17	MISS. S.N.EGODAGE	394,667	0.12%
18	MR. S.K.SEMAGE	379,000	0.12%
19	MRS. L.S.SEMAGE	317,169	0.10%
20	MR D.K.GUNARATNE	180,132	0.06%
	Sub Total	307,398,714	96.64%
	Other	10,675,651	3.36%
	Total	318,074,365	100.00%

6. DIRECTOR'S SHAREHOLDING

	As at 31 March 2023		As at March 2022	
Name	No.of Shares	% of Holdings	No.of Shares	% of Holdings
Mr. R.S. Egodage	Nill	Nill	Nill	Nill
Mr. P.S.R.C. Chitty	429,808	0.14	429,808	0.14
Ms. G.R. Egodage	Nill	Nill	Nill	Nill
Mr. Lasantha Wickremasinghe	Nill	Nill	Nill	Nill
Ms.T.M.L.Paktsun	Nill	Nill	Nill	Nill
Ms. G.A.M. Edwards	Nill	Nill	Nill	Nill
Mr. G.B. Egodage	Nill	Nill	Nill	Nill
Mr. Douglas Malfar	Nill	Nill	N/A	N/A
Mr. F.A.P.L. Solbani	Nill	Nill	N/A	N/A
Mr. W.D. Barnabas	Nill	Nill	N/A	N/A
Dr.(Ms.) J.P.Kuruppu (appointed on 01.08.2023)	Nill	Nill	N/A	N/A

7. SHARE INFORMATION

	As at March 2023	As at March 2022
Net Asset per Share (LKR)	64.01	60.34
Share Price		
Highest (LKR)	29.10	59.60
Lowest (LKR)	22.50	25.00
Last Trated (LKR)	26.00	25.20
Earnings		
Basic Earning per share (LKR.)	8.17	14.21
Price Earning Ratio (Times)	3.18	1.77
Divident per share (LKR.)	2.00	2.50
Divident Payout Ratio	0.24	0.18
Market Capitalisation	8,270	8,015
Public Holding (%)	11.01	11.12
Float Adjusted Market Capitalisation (LKR)	910,519,677	891,320,709

INVESTOR INFORMATION

8. DEBENTURE INFORMATION

	As at March 2023	As at March 2022
Debt/ Equity Ratio (times)	4.02	3.88
Quick Asset Ratio (times)	1.01	1.05
Interest Cover (times)	1.36	2.22

8.1 Company issued LKR 1,287,590,000 rated,guranteed, senior redeemable Debentures for 5 years in March 2021.These debentures were listed on the Colombo Stock Exchange.

	As at March 2023	As at March 2022
Yield as at Date of last Trade	Not Traded	Not Traded
The Market Prices during the year		
Highest Price (LKR)	Not Traded	Not Traded
Lowest Price (LKR)	Not Traded	Not Traded
Last Trated Price (LKR)	Not Traded	Not Traded
Credit Rating (Instrument)	AA	AA
Comparable Goverment Security Coupon Rate	9.00	9.00

GLOSSARY

A

Accounting Policies
Principles, bases, conventions, rules and practices that are applied in recording transactions and in preparing and presenting Financial Statements.

Accrual Basis
Recognizing the effects of transaction and other events when they occur without waiting for receipt or payment of cash or its equivalent.

Amortisation
The systematic allocation of the depreciable amount of an intangible asset over its expected useful life.

Amortised Cost
The amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability.

Associate Company
An entity, including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

Available for Sale (AFS)
A debt or equity security that is purchased with the intent of selling before it reaches maturity or selling prior to a lengthy time period in the event the security does not have a maturity.

C

Cash Equivalents
Short-term highly liquid investments those are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Collectively Assessed Impairment
Impairment assessment on a collective basis for homogeneous groups of loans that are not considered individually significant and to cover losses which have been incurred but have not yet been identified on loans subject to individual assessment.

Commercial Paper
An unsecured, short-term debt instrument issued by a corporation, typically for the financing of accounts receivable, inventories and meeting short-term liabilities.

Commitments
Credit facilities approved but not yet disbursed to the customers as at the date of the Statement of Financial Position.

Consolidated Financial Statements
Financial statements of a holding Company and its subsidiaries based on their combined assets, liabilities and operating results.

Contingencies
A condition or situation, the ultimate outcome of which, gain or loss, will be confirmed only on the occurrence or nonoccurrence of one or more uncertain future events.

Core Capital
Representing permanent shareholders' equity (paid-up shares) and reserves created or increased by appropriations of retained earnings or other surplus, i.e, retained profits and other reserves.

Corporate Governance
The process by which corporate entities are governed. It is concerned with the way in which power is exercised over the management and direction of the entity, the supervision of executive actions and accountability to owners and others stakeholders.

Cost/Income Ratio
Operating expenses as a percentage of net income.

Credit Risk
Credit risk is the potential that a borrower or counter party will fail to meet its obligations in accordance with agreed terms and conditions.

Credit Ratings
An evaluation of a corporate's ability to repay its obligation or the likelihood of non-defaulting, carried out by an independent rating agency.

Currency Risk
The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Customer Deposits
Money deposited by account holders. Such funds are recorded as liabilities.

D

Dealing Securities
These are marketable securities acquired and held with the intention of resale over a short period of time.

Deferred Taxation
Sum set aside for tax in the Financial Statements that may become payable/ receivable in a financial year other than the current financial year.

Depreciation
The systematic allocation of the depreciable amount of a tangible capital asset or fixed asset over its useful life.

Derecognition
Is the removal of a previously recognised financial asset or financial liability form an entity's Statement of Financial Position.

Derivatives
A financial instrument or other contract, the value of which changes in response to some underlying variable (e.g. an interest rate), that has an initial net investment smaller than would be required for other instruments that have a similar response to the variable, and that will be settled at a future date.

GLOSSARY

Dividend Cover
Profit after tax divided by gross dividends. This ratio measures the number of times dividend is covered by current year's distributable profits.

Dividend per Share
Value of the total dividend paid out and proposed to ordinary shareholders divided by the number of ordinary shares in issues; this indicates the proportion of current year's dividend attributable to an ordinary share in issue.

Dividend Yield
Dividend earned per share as a percentage of its market value.

Discount Rate
A rate used to place a current value on future cash flows. It is needed to reflect the fact that money has a time value

E

Earnings per Ordinary Share (EPS)
Profit attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue.

Economic Value Added
A measure of productivity that takes into consideration cost of total invested equity.

Effective Interest Method
Is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial asset or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

Effective Tax Rate
Provision for taxation including deferred tax divided by the profit before taxation.

Exposure
A claim, contingent claim or position which carries a risk of financial loss.

Equity Method
A method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post acquisition changes in the investor's share of net assets of the investee. The profit or loss of the investor includes the investor's share of the profit or loss of the investee.

Equity
This consists of issued and fully paid up ordinary shares and reserves.

F

Fair Value
The amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction.

Finance Lease
A lease in which the lessee acquires all the financial benefits and risks attaching to ownership of the asset under lease.

Glossary [Cont.]

Financial Asset
Any asset that is cash, an equity instrument of another entity or a contractual right to receive cash or another financial asset from another entity.

Financial Instrument
Is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Liability
A contractual obligation to deliver cash or another financial asset to another entity.

G

Gearing
Long-term borrowings divided by the total funds available for shareholders.

Gross Dividend
The portion of profits distributed to the shareholders including the tax with held.

Guarantees
A promise made by a third party (Guarantor), who is not a party to a contract between two others, that the guarantor will be liable if the guarantee fails to fulfill the contractual Obligations.

H

Hedging
A strategy under which transactions are effected with the aim of providing cover against the risk of unfavorable price movements (interest rate, foreign exchange rates, commodity prices, etc).

Held-to-Maturity
Investments and debt securities that a Company has the ability and intent to hold until maturity.

Hire Purchase
A system by which a buyer pays for an asset in regular installments while enjoying the use of such asset. During the repayment period, ownership(title) of the asset does not pass to the buyer.

I

Impairment
The value of an asset when the recoverable amount is less than its carrying amount.

Impaired Loans
Loans where the Company does not expect to collect all the contractual cash flows or expects to collect them later than they are contractually due.

Impairment Allowance for Loans and Receivables
Amount set aside against possible losses on loans, lease rentals and advances as a result of such facilities becoming partly or wholly uncollectible.

Individually Assessed Impairment
Exposure to loss is assessed on all individually significant accounts that do not qualify for collective assessment.

Intangible Assets
An intangible asset is an identifiable non-monetary asset without physical substance.

Interest Cover

Earnings before interest and taxes for the year divided by total interest expenses.

Interest in Suspense

Interest suspended on non-performing accommodations. (Leases, hire purchases, loans and other advances)

Interest Margin

Net interest income expressed as a percentage of average total assets.

Interest Rate Risk

The risk that an investment's value will change due to a change in the absolute level of interest rates, in the spread between two rates, in the shape of the yield curve or in any other interest rate relationship.

Interest Spread

The difference between the average yield a financial institution receives from loans and other interest-accruing activities and the average rate it pays on deposits and borrowings.

Investment Properties

Property (land or a building - or part of a building - or both) held (by the owner or by lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for use or sale.

Investment Securities

Securities acquired and held for yield and capital growth purposes which are usually held to maturity.

K

Key Management Personnel

People having authority and responsibility for planning, directing and controlling the activities of an entity, either directly or indirectly. (The Board of Directors and Corporate Management).

L

Liquid Assets

Assets that are held in cash or can be converted to cash readily, such as deposits with other banks, Bills of Exchange, Treasury Bills and Bonds.

Liquidity Risk

The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Loans Payable

Loan payable are financial liabilities, other than short-term trade payable on normal credit terms.

Loans and Receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those intended to sell immediately or in the near term and designated as fair value through profit or loss or available for sale on initial recognition.

Loss Given Default (LGD)

The percentage of an exposure that a lender expects to lose in the event of obligor default.

M

Market Capitalisation

Number of ordinary shares in issue multiplied by the market value of a share as at a perticular date.

Market Risk

This refers to the possibility of loss arising from changes in the value of a financial instrument as a result of changes in market variables such as interest rates, exchange rates, credit spreads and other asset prices.

Materiality

The relative significance of a transaction or an event, the omission or misstatement of which could influence the economic decisions of users of Financial Statements.

N

Net Asset Value per Ordinary Share

Total net asset value of a Company divided by the total number of ordinary shares in issue.

Net Interest Income

Difference between revenue generated from interest bearing assets and interest incurred on interest bearing liabilities.

Net Interest Margin

Net interest income as a percentage of average interest earning assets.

Non-Controlling Interest

Portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent.

Non-Performing Advances / Non-Performing Accommodations Loans and advances of which rentals are in arrears for six months or more.

NPA Ratio

Total Non-Performing Accommodations (net of interest in suspense and other adjustments) divided by total accommodations (net of interest in suspense and other adjustments).

O

Operational Risk

The losses arising from fraud, negligence, oversight, human error, process errors, system failures, external events, etc.

P

Parent

An entity that controls one or more subsidiaries.

Price Earnings Ratio

Market price of a share divided by the earnings per share.

Provision

The amount of an expense that an entity elects to recognise now, before it has precise information about the exact amount of the expense.

GLOSSARY

Provision Cover

Total provision for losses on loans, leases and advances expressed as a percentage of net non-performing loans before discounting for provision on non-performing loans, leases and advances.

R

Related Parties

Parties where one party has the ability to control the other party exercise a significant influence over the other party in making financial and operating decisions, directly or indirectly.

Related Party Transactions

Is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged or not.

Repurchase Agreements

Contracts to sell and subsequently repurchase securities at a specified price at a specified future date.

Return on Average Assets (ROA)

Profit after tax divided by total average assets.

Return on Equity

Profit after tax divided by total average equity.

Reverse Repurchase Agreements

The purchased of securities with the agreement to sell them at a specified price at a specified future date.

Risk Weighted Assets

On balance sheet assets and the credit equivalent of off balance sheet assets multiplied by relevant factors weighted by risk.

S

Segmental Analysis

Analysis of Financial Information by loan product.

Shareholders' Funds

This consists of issued and fully paid up ordinary shares and reserves.

Statutory Reserve Fund

A capital reserve created as per the provisions of Finance Companies (Capital Funds) Direction No. 01 of 2003.

Specific Impairment Provisions

Impairment is measured individually for loans that are individually significant to the Company

Subsidiary Company

An entity, including an unincorporated entity such as a partnership, which is controlled by another entity, known as Parent.

Substance Over Form

The consideration that the accounting treatment and the presentation in Financial Statements of transactions and the events are governed by their financial reality and not merely by its legal form.

Total Risk Weighted Capital

Supplementary capital that includes items such as revaluation reserves, undisclosed reserves, hybrid instruments and subordinated term debt.

NOTICE OF MEETING

NOTICE is hereby given that the Fortieth (40th) Annual General Meeting of Commercial Credit and Finance PLC (the "Company") will be held at Commercial Credit and Finance PLC, City Office, Third (3rd) Floor, Training Room, No. 165, Kinsey Road, Colombo 08 on 29th August 2023 at 10.00 a.m. and the business to be brought before the meeting will be as follows:

1. To receive and consider the audited financial statements for the year ended 31st March 2023 and the reports of the auditors and of the directors thereon.
2. To declare a final dividend of Rupees One (Rs. 1/-) per share for the year ended 31st March 2023, as recommended by the directors.
3. Re-election of directors
   i. To re-elect Mr. P. S. R. C. Chitty, who retires by rotation in terms of Article 24(6) of the Articles of Association of the Company.
   ii. To re-elect Mr. L. L. S. Wickramasinghe, who retires by rotation in terms of Article 24 (6) of the Articles of Association of the Company.
   iii. To re-elect Ms. G. A. M. Edwards, who retires by rotation in terms of Article 24 (6) of the Articles of Association of the Company.
   iv. To re-elect Mr. F. A. P. L. Solbani, who was appointed during the course of the year and retires in terms of Article 24 (2) of the Articles of Association of the Company.
   v. To re-elect Mr. W. D. Barnabas, who was appointed during the course of the year and retires in terms of Article 24 (2) of the Articles of Association of the Company.
   vi. To re-elect Dr. (Ms) J. P. Kuruppu, who was appointed during the course of the year and retires in terms of Article 24 (2) of the Articles of Association of the Company.
4. To re-appoint M/s Ernst & Young, Chartered Accountants, who are deemed to be re-appointed as auditors until the conclusion of the next annual general meeting of the Company in terms of section 158 (1) of the Companies Act No. 07 of 2007, to audit the financial statements of the Company for the financial year ending 31st March 2024 and to authorize the directors to determine their remuneration therefor.
5. To authorize the directors to determine contributions to charities.
6. Any Other Business

By Order of the Board

Corporate Services (Private) Limited
Secretaries

04th August 2023
Colombo

NOTES

FORM OF PROXY

/We ....of ....

being a shareholder/s of Commercial Credit and Finance PLC do hereby appoint...of

.... failing him;

Mr. G B EGODAGE whom failing,
Mr. R S EGODAGE whom failing,
Ms. G R EGODAGE whom failing,
Mr. P S R C CHITTY, whom failing,
Mr. L L S WICKRAMASINGHE, whom failing,
Ms. T M L PAKTSUN, whom failing,
Ms. G A M EDWARDS, whom failing,
Mr. D E MALFAR whom failing,
Mr. W D BARNABAS whom failing,
Mr. F A P L SOLBANI whom failing,
Dr. (Ms) J P KURUPPU whom failing,

as my/our proxy to represent me/us and vote for me/us on my/our behalf at the Fortieth (40th) Annual General Meeting of the Company to be held on 29th August 2023 and at any adjournment thereof, and at every poll which may be taken in consequence thereof. I/We the undersigned hereby authorise my/our proxy to vote on my/our behalf in accordance with the preference indicated below:-

		For	Against
1.	To receive and consider the audited financial statements for the year ended 31st March 2023 and the reports of the auditors and of the directors thereon.		
2.	To declare a final dividend of One Rupee (Rs. 1/-) per share for the year ended 31st March 2023, as recommended by the directors.		
3.	**Re-election of directors**		
i.	To re-elect Mr. P.S.R.C.Chitty, who retires by rotation in terms of Article 24(6) of the Articles of Association of the Company.		
ii.	To re-elect Mr. L.L.S.Wickramasinghe, who retires by rotation in terms of Article 24 (6) of the Articles of Association of the Company.		
iii.	To re-elect Ms. G.A.M.Edwards, who retires by rotation in terms of Article 24 (6) of the Articles of Association of the Company.		
iv	To re-elect Mr. F.A.P.L.Solbani, who was appointed during the course of the year and retires in terms of Article 24 (2) of the Articles of Association of the Company.		
v.	To re-elect Mr. W.D.Barnabas , who was appointed during the course of the year and retires in terms of Article 24 (2) of the Articles of Association of the Company.		
vi.	To re-elect Dr. (Ms) J. P. Kuruppu, who was appointed during the course of the year and retires in terms of Article 24 (2) of the Articles of Association of the Company.		
4.	To re-appoint M/s Ernst & Young, Chartered Accountants, who are deemed to be appointed as auditors until the conclusion of the next annual general meeting of the Company in terms of section 158 (1) of the Companies Act No. 07 of 2007, to authorize the directors to determine their remuneration therefor.		
5.	To authorize the directors to determine contributions to charities.		

As witness by my/our hand on this ....day of ....Two Thousand and Twenty Three.

....
Signature of Shareholder

Notes:

- Please indicate with an "x" in the space provided how your Proxy is to vote. If there is in the view of the Proxyholder doubt (by reason of the way in which the instructions contained in the Proxy have been completed) as to the way in which the Proxyholder should vote, the Proxy holder shall vote as he thinks fit.
- A Proxy holder need not be a member of the Company
- Instructions as to completion appear on the reverse hereof
- If you wish your Proxy to speak at the Meeting you should insert the words "to speak and" in the place indicated with an asterisk and initial such insertion.

FORM OF PROXY

INSTRUCTIONS AS TO COMPLETION

1. To be valid this Form of Proxy must be deposited at the Registered Office of the Company at No.106, Yatinuwara Vidiya, Kandy not less than 48 hours before the time appointed for the holding of the Meeting.
2. The instrument appointing a Proxy shall in the case of an individual be signed by the appointor or by his Attorney and in the case of a Company/Corporation, the Proxy Form must be executed under its Common Seal, which should be affixed and attested in the manner prescribed by its Articles of Association or other constitutional documents.
3. If the Proxy Form is signed by an Attorney, the relevant Power of Attorney or a notarially certified copy thereof, should also accompany the completed Form of Proxy if it has not already been registered with the Company.
4. The full name and address of the Proxy holder and of the Shareholder appointing the Proxy holder should be entered legibly in the Form of Proxy.

INVESTOR FEEDBACK FORM

To request information or submit a comment/query to the Company, please complete the following and return this page to,

Chief Financial Officer
Commercial Credit and Financial PLC No. 165, Kynsey Road,
Colombo 08,
Sri Lanka.
E-mail: janaka@cclk.lk

Name	:	....
Permanent Mailing Address	:	....
Contact Numbers	:	....
E-mail	:	....
Name of the Company (If Applicable)	:	....
Designation (If Applicable)	:	....
Company Address (If Applicable)	:	....
Comments/Queries	:	....
		....
		....
		....
		....
		....
		....
		....
		....
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		....
		....

CORPORATE INFORMATION

COMPANY NAME
Commercial Credit and Finance PLC

LEGAL FORM
Incorporated as a Private Limited Liability Company under the Companies Act No.17 of 1982 and converted To a Public Company on 16 December 1989 and re-register under the Companies Act No.07 of 2007 on 08 April 2008. A Registered Finance Company under the Finance Companies Act No.78 of 1988 and re-registered under the Finance Business Act No.42 of 2011. A Registered Finance Leasing establishment under the Finance Leasing Act No.56 of 2000 (as amended) The shares of the Company were listed Dirisavi Board of the Colombo Stock Exchange on 1 June 2011. The Stock Exchange code For the Company share is "COCR"

REGISTRATION NUMBER
PB 269 PQ

PLACE OF INCORPORATION
Kandy, Sri Lanka

CITY OFFICE
No.165, Kynsey Road, Colombo 08

TELEPHONE
+94 11 2 000 000/ +94 81 2 000 000

FAX
+94 11 2 327 882 / +94 81 2 234 977

EMAIL
ccl@cclk.lk

WEBSITE
www.cclk.lk

BOARD OF DIRECTORS OF THE COMPANY
Mr. G.B. Egodage–
Non- Executive Director/ Chairman

Mr. L. L.S. Wickramasinghe –
Independent Non-Executive Director / Senior Director

Mr. R. S. Egodage –
Executive Director (Chief Executive Officer)

Ms. G. R. Egodage – Executive Director

Mr. P.S.R. C. Chitty – Executive Director

Ms. T. M.L.Paktsun –
Independent Non-Executive Director

Ms. G. A.M.Edwards –
Independent Non-Executive Director

Mr. W. D. Barnabas –
Independent Non-Executive Director

Mr. D. Malfar – Non-Executive Director

Mr. F. A. P.L. Solbani – Non-Executive Director

Dr. (Ms) J.P.Kuruppu -Independent
Non-Executive Director

COMPANY SECRETARY
Corporate Services (Private) Limited
Address: 216, de Saram Place, Colombo 10, Sri Lanka

COMPANY AUDITORS
Ernst & Young Chartered Accountants
No.216, de Saram Place, Colombo 10

BANKERS OF THE COMPANY
Bank of Ceylon
Cargills Bank Limited
Commercial Bank of Ceylon PLC
DFCC Bank
Hatton National Bank PLC
National Development Bank PLC
Nations Trust Bank PLC
Pan Asia Banking Corporation PLC
People's Bank
Sampath Bank PLC
Seylan Bank PLC

BOARD AUDIT COMMITTEE
Ms.T.M.L.Paktsun (Chairperson)

Mr.L.L.S.Wickramasinghe

Mr.G.B.Egodage

BOARD INTEREGRATED RISK MANAGEMENT COMMITTEE
Mr.L.L.S.Wickramasinghe (Chairperson)

Ms.T.M.L.Paktsun

Mr.G.B.Egodage

Ms. G. A.M.Edwards

Mr.W.D. Barnabas

BOARD RELATED PARTY TRANSACTION REVIEW COMMITTEE
Ms.T.M.L.Paktsun (Chairperson)

Mr.L.L.S.Wickramasinghe

Mr.G.B.Egodage

BOARD NOMINATION COMMITTEE
Mr.L.L.S.Wickramasinghe (Chairperson)

Ms.T.M.L.Paktsun

Mr.G.B.Egodage

BOARD HUMAN RESOURCE AND REMUNERATION COMMITTEE
Mr.G.B.Egodage (Chairperson)

Ms.T.M.L.Paktsun

Ms. G. A.M.Edwards

www.cclk.lk